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PUBLIC

To: Members of Audit Committee

Monday, 10 July 2023

Dear Councillor,

Please attend a meeting of the **Audit Committee** to be held at **2.00 pm** on **Tuesday, 18 July 2023** in Council Chamber, County Hall, Matlock., the agenda for which is set out below.

Yours faithfully,

Helen E. Barrington

Helen Barrington
Director of Legal and Democratic Services

A G E N D A

1. Apologies for Absence

2. To receive declarations of interest (if any)

3. To confirm the minutes of the meeting held on 21 March 2023 (Pages 1 - 8)

4. Review of the Effectiveness of the System of Internal Control (Pages 9 - 18)

5. Statement of Accounts 2021-22 and 2022-23 (Pages 19 - 574)

6. Annual Audit Report 2022-23 (Pages 575 - 632)

7. Anti-Fraud and Anti-Corruption Strategy (Pages 633 - 652)

8. Corporate Risk Management Update (2022-23 Quarter 4) (Pages 653 - 722)

9. Exclusion of the Public

   To move that under Section 100(a)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that in view of the nature of the business, that if members of the public were present exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 would be disclosed to them and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Part II - EXEMPT ITEMS

10. To confirm the exempt minutes of the meeting held on 21 March 2023 (Pages 723 - 724)

11. Overview of Adult Social Care & Health Risks (Pages 725 - 752)

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MINUTES of a meeting of **AUDIT COMMITTEE** held on Tuesday, 21 March 2023 in the Council Chamber, County Hall, Matlock,.

PRESENT

Councillor G Musson (in the Chair)

Councillors R Parkinson, R Mihaly and J Nelson.

Apologies for absence were submitted for Councillors N Atkin and N Gourlay.

Officers present: D Ashcroft, H Coates, T Kearsey, J Lakin, J O'Sullivan, P Spencer and P Stone.

13/23 TO RECEIVE DECLARATIONS OF INTEREST (IF ANY)

There were no declarations of interest.

14/23 TO CONFIRM THE MINUTES OF THE MEETING HELD ON 31 JANUARY 2023

The minutes of the meeting held on 31 January 2023 were confirmed as a correct record.

15/23 TO CONSIDER THE REPORTS OF THE EXTERNAL AUDITORS:

16/23 UPDATED AUDIT COMPLETION REPORT 2021/22

Mark Surridge from Mazars attended the meeting to present their final Audit Completion Report for the year ended 31 March 2022.

The completion of the Audit had been delayed due to the national Infrastructure Accounting matter which had been brought to the Committee's attention in previous reports. The report confirmed that a small number of changes had been agreed to the disclosures within the financial statements that had been approved at the Committee meeting on 29 November 2022, to comply with the requirements of the updated Code and the amended Regulations.

The final remaining closure steps would now be completed and it was anticipated that Mazars would issue an unqualified opinion, without modification, on the financial statements. It was also anticipated that there were no significant weaknesses in arrangements to report, in relation to the arrangements that the Council had in place to secure economy, efficiency and effectiveness in its use of resources.

On behalf of the Committee, the Chairman thanked Mr Surridge for his report and reassurance.

RESOLVED that the report be noted.

17/23 **AUDIT PLANNING UPDATE 2022/23**

Mark Surridge from Mazars presented the Audit Planning Update for 2022-23. The planning work for the 2022-23 audit year was in progress. They were liaising with the finance team and completing their normal procedures plus the enhanced procedures required this year by ISA315. This work would continue through March and April and it was expected that the final Audit Strategy Memorandum would be presented to the Committee at the June 2023 meeting.

RESOLVED to note the report.

18/23 **AUDIT PROGRESS REPORT - DERBYSHIRE PENSION FUND**

John Pressley from Mazars presented a report which set out the progress on the Pension Fund audits for 2021-22 and 2022-23.

The work on the 2021-22 audit was complete apart from final checks on the version of accounts that they would be giving their opinion on. Mazars anticipated issuing an unqualified opinion without modification, on the financial statements. It was also anticipated concluding that the Pension Fund financial statements within the Pension Fund's Annual Report were consistent with the Pension Fund financial statements within the Council's Statement of Accounts.

Work had commenced on their planning work for the 2022-23 audit year and an initial provisional timetable for the work on the financial statements was set out in the report.

On behalf of the Committee, the Chairman thanked Mr Pressley for his report.

RESOLVED to note the report.

19/23 **UPDATE ON 2021-22 EXTERNAL AUDIT INTERNAL CONTROL RECOMMENDATIONS**

The Committee was provided with an update of the actions that had been taken in response to the internal control recommendations outlined in the external auditor's Audit Findings Progress and Completion Report for 2021-22.

A summary and progress update in respect of the 2021-22 internal control recommendation was provided as follows:

Controls in place with regard to journals posting – Three members of staff below Grade 10, which was the expected cut-off grade to be able to post journals, were identified as posting journals. The Council had confirmed that these staff members were experienced and knowledgeable of the specific operational area and that this was a considered and permitted exception. The Council had since reduced the number of staff below Grade 10 permitted to post journals in respect of this operational area from three to two (both Grade 9) and this would continue to be monitored.

Further, the Council's Journal Policy did not mention a specific staff Grade below which journals should not be posted, rather it stated that the ability to enter and adjust postings would be limited to a small number of individuals, with an appropriate access level for their grade. The Council had reviewed and strengthened its procedures and had communicated this to all finance staff. A detailed update on the actions taken was attached at Appendix 2 to the report.

RESOLVED that the Committee notes the actions taken in response to the recommendations outlined in the external auditor's Audit Findings Progress and Completion Reports for 2021-22.

20/23 ACCOUNTING POLICIES

CIPFA LASAAC had issued an Update to the Code and Specifications for Future Codes for Infrastructure Assets, which included from 1 April 2021 to 31 March 2025, a temporary relief not to report gross cost and accumulated depreciation for Infrastructure Assets. Included in the guidance in the CIPFA Bulletin issued on 11 January 2023, was the recommendation that an authority's accounting policies clearly set out how the authority was accounting for Infrastructure Assets.

Thought was being given as to what amendments would be required to the Council's 2021-22 and 2022-23 Accounting Policies, having considered these changes to the Code, the new statutory instrument, and the updated guidance.

In April 2022, CIPFA LASAAC had announced its formal decision to defer the implementation of IFRS 16 until 1 April 2024 (and therefore in the 2024-25 Code). However, both the 2022-23 and the 2023-24 Codes would allow for adoption as of 1 April 2022 or 1 April 2023, respectively. Implementation of IFRS 16 would require specialist software and the upgrade to SAP S/4 HANA was scheduled to be implemented later in the year.

The updated 2022-23 Accounting Policies were attached at Appendix Two to the report and any further proposed amendments would be reported to the Committee in due course. Appendix Three included the proposed 2023-24 Accounting Policies. No changes had been made to the 2022-23 Accounting Policies. Additional technical guidance was likely to be received and it was possible that this would also impact on the 2023-24 Accounting Policies.

RESOLVED that the Committee:

a) Notes that changes may be required to the Accounting Policies for 2021-22 and subsequent years in respect of Infrastructure Assets;
b) Approves the changes outline in the report in relation to the Accounting Policies for 2022-23; and
c) Approves the changes outlined in the report in relation to the Accounting Policies for 2023-24.

21/23 **PERFORMANCE MONITORING AND BUDGET MONITORING/FORECAST OUTTURN 2022-23 AS AT QUARTER 3 (31 DECEMBER 2022)**

Members were provided with an update of the Council Plan performance and Revenue Budget/forecast outturn for 2022-23, as at 31 December 2022 (Quarter 3).

The Performance Summary set out the progress the Council was making on delivering the Council Plan with a focus on the achievement of the Council Plan priorities. The Revenue Budget Position and Financial Summary provided an overview of the Council’s overall budget position and forecast outturn.

A summary of each of the individual portfolio performances and outturn positions, including Traded Services for 2022-23 was detailed in Appendices 4 to 12 of the report.

The Committee was informed that, whilst the Council had sufficient reserves it could deploy to meet the anticipated funding shortfalls in 2022-23 and 2023-24, this would significantly impact on any future funding available to support the Council’s planned improvements, to support any further delays to certain savings plans and would require additional general reserves to be set aside in order to ensure that the balance of general reserves remained at a prudent risk-assessed level. It also meant that a similar level of support in 2024-25 would not be possible.

RESOLVED that the Committee:

a) Notes the update of Council Plan performance and the Revenue Budget position/forecast outturn for 2022-23 as at 31 December 2022 (Quarter 3); and
b) Notes the position on General and Earmarked Reserves.

22/23 PERFORMANCE AND BUDGET MONITORING/FORECAST OUTTURN ARRANGEMENTS

Members were provided with details of the latest arrangements for performance and budget monitoring/forecast outturn.

To ensure that the arrangements remained robust, reporting requirements and timescales were set out in the Performance and Budget Monitoring Policy, a copy of which was attached at Appendix 2 to the report. The Policy had been widely distributed to departmental Finance and Performance Managers.

Following a review of the Policy in March 2023, the following changes had been made:

- The schedule of meeting dates between the departmental Senior Finance Business Partners and the Director of Finance & ICT had been updated.
- The timetable for reporting the monitoring position to Cabinet and Cabinet Member portfolios had been updated.
- The report format now included the requirements to disclose significant items of one-off expenditure. This was in addition to the need to disclose significant items of one-off income, which was already a requirement.
- The report format now included the requirement to report the forecast cost of service pressures and compare these with budget allocations. This would enable pressures to be closely scrutinised; there was an expectation that where costs were not as high as estimated, the budget would be clawed back from departments to help the Council support and maintain a balanced budget.
- Minor updates to the report format Sections 5 to 8.
- The Recommendations and Reason for Recommendations sections, in the report format, have been rationalised.

It had been necessary during 2020-21 to 2022-23 to adapt the pro-forma reporting format to appropriately capture and present the additional costs and funding associated with the Council's and the Government's response to the Covid-19 pandemic. Similar adjustments were not expected to be required in 2023-24; however, any necessary changes to the format would be agreed by the Director of Finance & ICT.

RESOLVED that the Committee notes the details of current performance and budget monitoring arrangements.

23/23 TAX STRATEGY

Following a review of the Council's Tax Strategy in January 2023, the following changes had been made:

- Background section updated – update to the organisations in which the Council was involved to include reference to the East Midlands devolution deal and clarification that the Derbyshire Pension Fund was part of the Council's VAT registration group.
- Relationship with tax authorities updated – update on the HMRC full VAT review that was currently underway but had yet to be concluded.

The Tax Strategy was attached at Appendix 2 to the report.

RESOLVED that the Committee notes that a review and update of the Tax Strategy had taken place.

24/23 ANTI-MONEY LAUNDERING POLICY

The Council's Anti-Money Laundering Policy had last been presented to the Committee at its meeting on 7 December 2021, following a review in November 2021.

Following a further review of the Policy in February 2023, the following changes had been made:

- Updates to replace Money Laundering Reporting Officer (MLRO) Peter Handford with Mark Kenyon, the Council's new Director of Finance & ICT (S151 Officer), from 3 April 2023.
- Updates to reference the introduction of Money Laundering and Terrorist Financing (Amendment) (No.2) Regulations 2022.

RESOLVED that the Committee notes that a review of the Anti-Money Laundering Policy has taken place and approves the amended Policy at

Appendix 2 to the report.

25/23 **ANNUAL INTERNAL AUDIT PLAN 2023-24**

The proposed Internal Audit Plan for 2023-24 was presented to Members for consideration and approval.

As part of the Corporate Services and Transformation departmental savings targets for 2023-24, two Auditor positions had been deleted from the establishment, which had impacted the overall available days this year by 435 days. This would be a challenge for the Unit to ensure that key assurance and compliance work was delivered and the impact this would have on the 2023-24 Plan would be closely monitored. The revised Audit staffing structure enabled the deployment of 2,337 Audit days in 2023-24 and updates would be provided to Members on available resources as part of regular reporting on the achievement of the Audit Services Plan throughout the year.

The Audit Services Plan was attached at Appendix 2 to the report and detailed Audit Services' coverage across corporate activities and in departments. The Plan identified the perceived level of risk and the expected outcomes of Audit work.

RESOLVED that the Committee:

a) Endorse the approach taken to create the proposed draft Internal Audit Plan for 2023-24;
b) Note that the Plan may be subject to amendment in response to emerging risks; and
c) Subject to these comments, approve the draft Audit Services Plan which was attached at Appendix 2 to the report.

26/23 **CORPORATE RISK MANAGEMENT UPDATE (2022-23 QUARTER 3)**

The Committee received an update on current risk management issues and were asked to review the Council's strategic risk register. This report covered updates to the register up to the end of Quarter 3 (31 December 2022).

Substantial work was continuing to improve the cyber-resilience of Council ICT systems to meet more stringent cyber insurance market requirements. In the meantime, the Council was currently self-insuring against cyber-risk.

A summary of risks on the current strategic risk register was shown in Table 1 of the report and the full register was shown at Appendix 2 of the report, with the Q3 update for each risk highlighted.

RESOLVED that the Committee notes the report.

27/23 **<u>EXCLUSION OF THE PUBLIC</u>**

To move that under Section 100(a)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that in view of the nature of the business, that if members of the public were present exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 would be disclosed to them and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

28/23 **<u>OVERVIEW OF CORPORATE SERVICES AND TRANSFORMATION RISKS</u>**

RESOLVED that the Committee notes the recommendation in the not for publication report.

The meeting finished at 4.24 pm

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

TUESDAY, 18 JULY 2023

Report of the Director - Finance and ICT

Review of the Effectiveness of the System of Internal Control

1. Purpose

1.1 To advise the Committee of the Accounts and Audit (England) Regulations 2015 and the requirement to review the system of internal control.

2. Information and Analysis

2.1 The Audit Committee is responsible for reviewing the Annual Governance Statement, reviewing, and approving other aspects of the Council's governance framework and for approving, monitoring and reviewing the outcome of audit activity throughout the Authority. It is, therefore, the appropriate Committee of the County Council to consider the outcomes of this review of the effectiveness of the system of internal control.

2.2 The system of internal control helps to promote the economic, efficient and effective use of public money, safeguards the Council's assets and interests, and controls the way the Council accounts to, engages with and leads its community, formulates it priorities and objectives, and delivers services in a way that meets those objectives.

2.3 The Council is required to have a sound system of internal control which:

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;

(b) ensures the financial and operational management of the Council is effective; and

(c) includes effective arrangements for the management of risk.

2.4 The Council must take two actions as part of the requirement to review the internal control system, they are:

(i) conduct a review of the effectiveness of the system of internal control (described in bullet points (a) to (c) above)

(ii) prepare an annual governance statement.

2.5 In order to provide members with the necessary assurances around the effectiveness of the system of internal control it is appropriate to consider and reflect on the work of the Audit Committee, the assurances received from internal and external audit and evidence from the statement of accounts. It is appropriate to refer members to the following:

- Maintenance and review of the Council's Constitution the committee structure and powers and duties of committees, scheme of delegation and Council policies and procedures.

- The Annual Governance Statement which will be considered alongside the draft Statement of Accounts 2022-23.

- The work of internal auditors culminating in the Annual Audit Report from the Assistant Director of Finance (Audit) presented to this meeting.

- The evidence of compliance with International Auditing Standards attached to this report as an appendix.

- The detail contained within the Strategic Risk Register which has been regularly presented to members.

- The standard and quality of the post-audit Statement of Accounts for 2021-22 and the transparency illustrated by the disclosures made and the opportunity given to the Committee to discuss its contents.

- The development and implementation of the annual revenue and capital budgets which sets out the guidelines, principles and timeframes for setting of these budgets which ensures many professional officers are involved in the process.

- The Anti-Fraud and Corruption Strategy, Whistleblowing Confidential Reporting Code and Anti-Money Laundering Policy set out the procedures for the reporting of investigation of concerns of fraud, procedures for whistleblowing and processes for the detection and avoidance of crimes in UK money laundering.

- The Council's spending against budget, reserves and achievement of budget reductions are monitored on a regular basis and reported to both management, portfolio holders, Cabinet, Audit Committee and Council. In addition, the Audit Committee and Cabinet receive reports detailing the Council's significant Treasury management operations;

- Reviews of service delivery are planned and underway across the Council.

- The Council's compliance with the principles of the Financial Management Code which has been reported to members.

- Effective employment policies and procedures supported by an effective Human Resources function.

- ICT policies and procedures for email, internet, social media and other computer use.

- Supporting financial polices including Treasury Management Strategy, Capital Strategy, Reserves Policy and Corporate Charging Policy.

2.6 As members will be aware, a review of the Audit Services Unit was undertaken by C.Co, part of the Chartered Institute of Public Finance & Accountancy (reported to Committee 10 December 2019). The Public Sector Internal Audit Standards require an external review to be conducted at least once every five years. C.Co provided a positive view of the Unit's effectiveness and compliance with the PSIAS. Additionally, the External Auditor continues to use the work of Internal Audit to inform their assessment of the Council's significant risks.

2.7 Consequently I am satisfied that Audit Services achieved adherence to the standards set out in the PSIAS, and that this provides a sound basis from which the Council can rely on the assurances provided by Audit Services in respect of the effectiveness of the internal control system.

2.8 The work of Audit Services is subject to the requirements of the Unit's Audit Manual. This Manual is regularly reviewed as part of consideration of the systems and procedures used by the Unit alongside the Quality Assessment and Improvement Programme. Cabinet approved the Council's "Audit Charter" as part of a review of that document.

2.9 If there is any change to this view by the time the accounts are formally approved post-audit there will be a further report on the effectiveness of the system of internal control at that meeting.

3. Consultation

3.1 None required.

4. Alternative Options Considered

4.1 Do nothing – the Accounts and Audit (England) Regulations 2015 stipulate that authorities are required to review the system of internal control.

5. Implications

5.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

6. Background Papers

6.1 None.

7. Appendices

7.1 Appendix 1 – Implications
7.2 Appendix 2 – Authority's procedures relevant to compliance with international auditing standards.

8. Recommendation(s)

That Audit Committee:

a) considers the information provided in this report as evidence of the effective operation of the internal control system.

9. Reasons for Recommendation(s)

9.1 To note that the Council is complying with the requirements of the Accounts and Audit Regulations 2015.

Report Author:	**Paul Stone**	**Contact details:**	**Paul.Stone2@derbyshire.gov.uk**

Appendix 1

<u>Implications</u>

Financial

1.1 None

Legal

2.1 The Audit Services Unit discharges the Authority's statutory responsibilities under Regulation 5, Accounts & Audit (England) Regulations 2015 and significant aspects of the statutory duties of the Director of Finance & ICT arising under Section 151 of the Local Government Act 1972.

Human Resources

3.1 None.

Information Technology

4.1 None.

Equalities Impact

5.1 None.

Corporate objectives and priorities for change

6.1 Not applicable.

Other (for example, Health and Safety, Environmental, Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None.

AUTHORITY'S PROCEDURES RELEVANT TO COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS

ISA 240

Objective

Management assessment of the risk that Financial Statements may be misstated due to fraud and the Council's processes for identifying and responding to these risks.

Procedures in Place

The County Council's control framework which includes:

- Financial Regulations and Procedures
- Standing Orders relating to Contracts
- Strategic Departmental Risk Registers supplemented by Project Risk Registers
- Project Management Toolkit
- Partnership Protocol
- Schemes of Delegation
- Ongoing activities of the Governance Group
- Continuous Internal Audit process driven by Strategic and Annual Audit Plans which are kept under continuous review to reflect changing risk profiles and emerging risks and overseen by the Audit Committee
- Audit Services Audit Manual
- Regular bank reconciliations
- Regular reconciliations of all feeder systems and interfaces
- Budget monitoring procedures
- Procurement controls

Objective

Communication to employees of business practice and ethical behaviour.

Procedures in Place

- Induction process
- Code of Conduct for Employees
- Anti-Fraud/Anti-Corruption Strategy
- Fraud Response Plan
- Confidential Reporting Code
- Workforce articles and payslip messages

- Financial Regulations and Standing Orders relating to Contracts
- Our Derbyshire
- Procedure notes and manuals

Objective

Communication to those charged with governance the processes for identifying and responding to fraud.

Procedures in Place

- Audit Committee Terms of Reference
- Audit Committee training
- Regular review by the Audit Committee of:

    - the Annual Governance Statement, Action Plan and work of the Governance Group
    - Financial Statements
    - detailed progress reports against Plan of the activity of Audit Services
    - Audit Services Annual Report and Audit Opinion
    - External Audit reports
    - the Authority's Strategic Risk Register
    - annual reports on the effectiveness of Internal Audit
    - annual reviews of Financial Regulations and Standing Orders, the Anti-Fraud Anti-Corruption Strategy, Fraud Response Plan, Confidential Reporting Code, Codes of Conduct for Officers and members
    - specific reports on the Authority's progress in relation to specific initiatives eg Schools Financial Value Standard and National Fraud Initiative

- Review and approval of Internal and External Audit Plans

Objective

Awareness of any actual or alleged instances of fraud.

Procedures in Place

- Specific requirements of Financial Regulations and Standing Orders relating to Contracts
- Anti-Fraud Anti-Corruption Strategy
- Fraud Response Plan

- Confidential Reporting Code
- Protocol for consideration of Audit Reports following Special Investigations
- Audit Services Audit Manual
- Membership of National Anti-Fraud Network
- Membership of national, regional and County Audit Groups and other professional groupings
- Role of the Monitoring Officer and the Standards Committee
- Audit Services distribute letters to Members, Strategic Directors/Directors on potential frauds, scams etc.

ISA 250

Objective

Requires that auditors understand how management gain assurance that all relevant laws and regulations are complied with.

Procedures in Place

All Member Reports must include legal considerations which reflect the impact of statutory/regulatory requirements. The Monitoring Officer (Director of Legal Services) has a specific responsibility to ensure that the Authority operates lawfully. Legal officers are present at Member meetings to provide advice and the inclusion in identified posts for office holders to maintain an up-to-date knowledge of appropriate legislation eg Executive Directors, Director of Finance & ICT, Director of Legal Services (Monitoring Officer), Assistant Director of Finance (Audit).

ISA 501

Objective

Requires that auditors obtain confirmation from management around the potential for litigation and claims that would affect the Financial Statements.

Procedures in Place

- The Director of Finance & ICT seeks specific assurance from the Head of Paid Service and Director of Legal Services whether or not there are material claims or potential claims which would affect the Financial Statements.
- The Director of Legal Services also raises this as an item at her Departmental Management Team.

- Should the potential for any such claim be identified by Audit Services this would be raised directly with the Director of Finance & ICT.
- As part of Audit Services review of insurance the procedures for identifying potential claims/risk exposure and potential mitigation are reviewed.

DERBYSHIRE County Council

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

18 July 2023

Report of the Director of Finance & ICT

Update on Statement of Accounts 2021-22 and Pre-Audit Statement of Accounts 2022-23

1. Divisions Affected

1.1 County-wide.

2. Key Decision

2.1 This is not a Key Decision.

3. Purpose

3.1 To provide Audit Committee with an update on, and to seek final approval from Audit Committee for, the Statement of Accounts 2021-22.

3.2 To present the pre-audit Statement of Accounts 2022-23 to Audit Committee.

4. Information and Analysis

2021-22 Accounts

4.1 For 2021-22 local authority accounts, the Department for Levelling-Up, Housing and Communities (DLUHC) put in place revised regulations to extend statutory deadlines. The unaudited accounts were to be approved and published no later than 31 July 2022, and the audited accounts were to be published by 30 November 2022.

4.2 The Council published its certified pre-audit Statement of Accounts 2021-22 on 17 June 2022, before the statutory deadline, and submitted them to the Council's external auditor, Mazars, on the same day. At Audit Committee on 5 August 2022, a detailed presentation, followed by a Question and Answer Session, took place, to explain the Statement of Accounts in more detail and to respond to any Member queries. The audit was substantially completed by the Audit Committee meeting of 29 November 2022, when Members were informed of the Council's intention to publish, on 30 November 2022, a notice of delay in publishing its audited 2021-22 Statement of Accounts, due to a national issue on accounting for infrastructure assets (principally highways infrastructure). At that meeting, Audit Committee approved the Statement of Accounts 2021-22, subject to any further non-significant changes being delegated to the Council's Section 151 Officer for approval, in consultation with the Audit Committee Chair, should clarification be required.

4.3 On 11 January 2023, the Chartered Institute of Public Finance and Accountancy (CIPFA) issued its Bulletin 'Accounting for Infrastructure Assets – Temporary Solution', which applied to all accounts which had not already been certified by external auditors. This followed new legislation, which came into force on 25 December 2022. Discussions with the Council's auditors on the interpretation of the Bulletin commenced and were concluded in early March 2023. This resulted in minor disclosure changes to the Council's Statement of Accounts 2021-22. The updated accounts were provided to the Council's external auditor on 8 March 2023. At the Audit Committee meeting of 21 March 2023 , the external auditor provided its Audit Completion Report 2021-22. However, the audit of these accounts has yet to be concluded because of a further national issue which emerged at that time. An update is provided below.

4.4 The Council's accounts include its employer's share of assets and liabilities in the Derbyshire Pension Fund (the Fund), which is the Local Government Pension Scheme (LGPS) administered by the Council. Accounting Standard IAS 19 'Employee Benefits' requires that the estimate of the Council's share of assets and liabilities is based on the latest full actuarial valuation. The latest full actuarial valuation of the Fund was produced as at 31 March 2022. It was completed during 2021-22 and was signed off by the Fund's Actuary, Hyman Robertson LLP, on 29 March 2023. On 17 May 2023, CIPFA issued supplementary guidance, 'The Triennial Valuation and IAS 19 Reporting', followed on 18 May 2023 by the National Audit Office (NAO) issuing a Special Guidance Note 'Considering the impact of the Local Government Pension Scheme 2022 Triennial Valuation'. On 24 May 2023, having considered these documents, the Council's external auditor requested that the Council obtain an updated IAS 19 Report, to reflect the March 2022 actuarial valuation, from the Fund's Actuary.

4.5 The Council received the Fund Actuary's updated IAS 19 Report on 15 June 2023. Reflecting this updated Actuary's Report in the Statement of Accounts 2021-22 has resulted in revised LGPS adjustments and disclosures in the Council's accounts. The adjustment had the effect at 31 March 2022 of increasing the Council's LGPS Pension Liability by £71.014m and increasing its Pensions Reserve by the same amount. Whilst this adjustment is material, and could therefore be considered significant, which would require further Audit Committee approval, it should be noted that the adjustment only occurred because of the national issue at paragraphs 4.3 and 4.4, and that the resulting increased liability is only a revised estimate at one point in time (31 March 2022). At 31 March 2023, the Council is reporting an LGPS Pension Asset in its Pre-Audit Statement of Accounts 2022-23, and this is unaffected by the change to the estimated position at 31 March 2022 resulting from the finalisation of the actuarial valuation at 31 March 2022 after Audit Committee's approval of the 2021-22 accounts on 29 November 2022. The only change in the Derbyshire Pension Fund accounts, within the Statement of Accounts 2021-22, is the inclusion of a revised Actuary's Report at Note 22. No adjustments were required in the Derbyshire Pension Fund accounts. For the avoidance of doubt, recommendation 10.1 seeks final approval from the Audit Committee for the Statement of Accounts 2021-22, as this adjustment may be considered a significant change. The updated Statement of Accounts 2021-22, which were provided to the Council's external auditor on 20 June 2023, are appended to this report at Appendix Two, for final approval.

4.6 The Council is working closely with the external auditor to ensure that the 2021-22 audit is concluded as soon as possible, following which the 2021-22 accounts will be published and the external audit opinions issued. The approved 2021-22 Statement of Accounts will be reported to full Council following formal audit conclusion. This had originally been scheduled for February 2023.

2022-23 Accounts

4.7 For 2022-23 local authority accounts, the unaudited accounts of local authorities were to be approved and published no later than 31 May 2023, with the public inspection period having commenced on or before the first working day of June 2023. However, resolution of the national issue in paragraphs 4.4 and 4.5 has resulted in June 2023 adjustments to the Statement of Accounts 2021-22 closing balances. This has impacted on 2022-23 opening balances and has required adjustments to the draft pre-audit Statement of Accounts 2022-23, to reflect these revised opening balances. These adjustments have resulted in the Council having published its certified pre-audit Statement of Accounts 2022-23 later than the 31 May 2023 deadline, on 10 July 2023. The 2022-23 accounts were submitted to the Council's external auditor, Mazars, on the same day.

4.8 The public inspection period commenced at 9am on 11 July 2023 (the first working day after publication) and will conclude at 4pm on 21 August 2023. To date, no queries have been received.

4.9 The core financial statements in the Statement of Accounts are:

- Comprehensive Income and Expenditure Statement (CIES)
- Balance Sheet
- Cash Flow Statement
- Movement in Reserves Statement (MiRS)

4.10 The Statement of Accounts also include:

- Pension Fund Accounts
- Annual Governance Statement

4.11 The Council's external audit is scheduled to begin on 31 July 2023. The Derbyshire Pension Fund audit commenced on 3 July 2023. The Council will work closely with the external auditor to ensure the required work is completed as soon as possible. The publication deadline for 2022-23 audited accounts is 30 September 2023. The Audit Committee meeting at which approval of the post-audit Statement of Accounts 2022-23 will be sought has yet to be scheduled. Any adjustments to the pre-audit Statement of Accounts 2022-23 identified during the external audit will be included in the report presented at that meeting. The final audited Statement of Accounts 2022-23 will be published as soon as the audit is formally concluded, and the external audit opinions issued. The approved Statement of Accounts will be reported to full Council in February 2024.

4.12 A copy of the pre-audit Statement of Accounts 2022-23 is appended to this report at Appendix Three. The audit opinions have yet to be inserted but will be included in the Audit Completion Reports of the external auditor presented to Audit Committee in due course. The latest draft of the Annual Governance Statement is included in the pre-audit Statement of Accounts 2022-23. Audit Committee will approve the final Annual Governance Statement, which will be included in the Statement of Accounts 2022-23 considered by Audit Committee for approval.

5 Consultation

5.1 No consultation is required.

6 Alternative Options Considered

6.1 This report seeks final approval from the Audit Committee for the Statement of Accounts 2021-22. Whilst Audit Committee approved the Statement of Accounts 2021-22 at the Audit Committee meeting on 29 November 2022, Members were advised that, should there be any significant changes, the 2021-22 accounts would be reported back to Audit Committee for final approval. A revised IAS 19 estimation of the Council's LGPS pension liability, detailed in paragraphs 4.4 and 4.5, has resulted in a material £71.014m adjustment to the accounts. The alternative option of not seeking further full Audit Committee approval has been considered but for the avoidance of doubt, recommendation 10.1 seeks final approval from the Audit Committee for the Statement of Accounts 2021-22, as this adjustment may be considered a significant change.

6.2 This report allows Audit Committee to consider the pre-audit Statement of Accounts 2022-23 prior to approval of the post-audit accounts at an Audit Committee meeting later in the year (yet to be scheduled). If the accounts are not approved by Audit Committee, the audit opinions cannot be issued by the external auditor and the final accounts cannot be published.

7 Implications

7.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

8 Background Papers

8.1 None held.

9 Appendices

9.1 Appendix 1 – Implications.

9.2 Appendix 2 – Updated Statement of Accounts 2021-22.

9.3 Appendix 3 - Pre-audit Statement of Accounts 2022-23.

10 Recommendation

That Audit Committee:

10.1 Gives final approval for the updated Statement of Accounts 2021-22.

10.2 Considers the pre-audit Statement of Accounts 2022-23, prior to approval of the post-audit accounts at an Audit Committee meeting later in the year (which has yet to be scheduled).

11 Reasons for Recommendation

11.1 This report seeks final approval from the Audit Committee for the Statement of Accounts 2021-22. Whilst Audit Committee approved the Statement of Accounts 2021-22 at the Audit Committee meeting on 29 November 2022, Members were advised that, should there be any significant changes, the 2021-22 accounts would be reported back to Audit Committee for final approval. A revised IAS 19 estimation of the Council's LGPS pension liability, for the reason set out in paragraphs 4.4 and 4.5, has resulted in a material £71.014m adjustment to the accounts. For the avoidance of doubt, recommendation 10.1 seeks final approval from the Audit Committee for the Statement of Accounts 2021-22, as this adjustment may be considered a significant change.

11.2 Audit Committee is required to approve the annual Statement of Accounts before the external auditor can issue its audit opinions, and the final accounts can be published. A key part of that process is to present Audit Committee with the certified, pre-audit accounts, so they can fully consider them prior to their approval and receive answers in respect of any questions they may have. Recommendation 10.2 allows Audit Committee to consider the pre-audit Statement of Accounts 2022-23 prior to approval of the post-audit accounts at an Audit Committee meeting later in the year.

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Appendix One

Implications

Financial

1.1 This report provides Audit Committee with an update on the delayed Statement of Accounts 2021-22, which are delayed for the reasons set out in paragraphs 4.2 to 4.5. In particular, the report seeks final approval from Audit Committee for the Statement of Accounts 2021-22 because a revised IAS 19 estimation of the Council's LGPS pension liability, detailed in paragraphs 4.4 and 4.5, has resulted in a material £71.014m adjustment to the accounts. The updated Statement of Accounts 2021-22 are appended at Appendix Two. If the Statement of Accounts are not approved by Audit Committee, the audit opinions cannot be issued by the external auditor and the final accounts cannot be published.

1.2 This report presents the certified, pre-audit Statement of Accounts 2022-23, appended at Appendix Three, to Audit Committee, so they can fully consider them and receive answers in respect of any questions they may have, prior to their approval at a meeting later in the year.

Legal

2.1 In accordance with the Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (Amendment) Regulations 2022, the statutory deadline for Audit Committee approval of the audited Statement of Accounts 2021-22 was 30 November 2022. The audit was substantially completed by the Audit Committee meeting of 29 November 2022, although Members were informed of the Council's intention to publish, on 30 November 2022, a notice of delay in publication of its audited 2021-22 Statement of Accounts, due to a national issue on accounting for infrastructure assets (principally highways infrastructure) preventing audit completion. This notice of delay was allowed for by Regulation 10, paragraph (2) of the Accounts and Audit Regulations 2015 (SI 2015/234), as amended by the Accounts and Audit (Amendment) Regulations 2022 (SI 2021/263). The notification explained, under the situation allowed for by Regulation 10 (2) (a), that the Council was not able to publish its audited Statement of Accounts in line with the publication date of 30 November 2022, as set out in Regulation 10 (1).

2.2 The Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (Amendment) Regulations 2022, required local authorities to publish draft Statement of Accounts 2022-23, certified by the Section 151 Officer and subject to audit, on or before 31 May 2023. Under the Local Audit and Accountability Act 2014 (Sections 25 to 28), the Accounts and Audit Regulations 2015 (Regulations 10, 14 and 15) and the Accounts and Audit (Amendment) Regulations 2022, the Council's accounts for the year ended 31 March 2023 and certain related documents (comprising books, deeds, contracts, bills, vouchers and receipts) were to be made available for public inspection, with the public inspection period commencing on or before the first working day of June 2023. Further to the 2021-22 delay notification referred to in paragraph 2.1, the audit of the Council's Statement of Accounts 2021-22 is still in progress due to a variety of complex factors continuing to delay the completion of the audit. This has impacted on the publication date of the Council's certified pre-audit 2022-23 accounts. The Council has given notice under Regulation 15 (1A) that the Council was therefore not in a position to commence the period for the exercise of public rights on or before the first working day of June 2023 due to the delay in completion of the audit of the 2021-22 Statement of Accounts. In publishing its certified pre-Audit Statement of Accounts 2022-23 for consideration at this Audit Committee meeting on 18 July 2023, the Council has ensured that the public has the right to inspect the Council's pre-audit Statement of Accounts 2022-23 and related documents commencing on the day after publication and for the appropriate length of period as required by Regulation 15.

2.3 The audited Statement of Accounts 2022-23 must be approved by the Audit Committee by 30 September 2023 in accordance with the Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (Amendment) Regulations 2022.

Human Resources

3.1 None

Information Technology

4.1 None

Equalities Impact

5.1 None

Corporate objectives and priorities for change

6.1 The Council is committed to ensuring good financial management and compliance with applicable laws and regulations.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None

Public

DERBYSHIRE
County Council

Statement of Accounts 2021-22

Mark Kenyon BA(Hons) FCPFA
Director of Finance & ICT (Section 151 Officer)

Version History			
Version	**Date**	**Detail**	**Author**
0.8	19.06.23	Post-audit accounts with audit updates – v0.8 updated for revised IAS 19 Actuarial Report, updated for actuarial valuation as at 31.03.22, received 15.06.23 from the Actuary	E Scriven
0.9	20.06.23	Copy for Mazars review/Audit Committee	E Scriven

This document has been prepared using the following ISO27001:2013 standard controls as reference:	
ISO Control	**Description**
A.8.2	Information classification
A.7.2.2	Information security awareness, education and training
A.18.1.1	Identification of applicable legislation and contractual requirements
A.18.1.3	Protection of records
A.18.1.4	Privacy and protection of personally identifiable information

CONTENTS

Introduction

This Statement of Accounts presents the overall financial position of the Council for the year ended 31 March 2022. It has been produced in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code), based on International Financial Reporting Standards (IFRS). IFRS are made up of a combination of many individual accounting standards.

This document also includes information relating to the Derbyshire Pension Fund, which the Council administers on behalf of its own staff, local authorities and other admitted bodies.

Basis of Preparation and Presentation

When preparing the accounts, an authority need not comply with the Code if the information is not material to the “true and fair” view of the financial position, financial performance and cash flows of the authority and to the understanding of users.

Information is material if omitting it, or misstating it, could influence decisions that users make on the basis of financial information about a specific authority.

The Accounting Policies of the Council have been prepared in accordance with IFRS, as adopted by the Code. Where there is no specific guidance in the Code, the Council has developed its own Accounting Policies, which are aimed at creating information which is relevant to the decision-making needs of users and reliable, in that the financial statements:

- represent fairly the financial position, financial performance and cash flows of the entity;
- reflect the economic substance of transactions, other events and conditions and not merely the legal form;
- are neutral i.e. free from bias;
- are prudent; and
- are complete in all material respects.

The Council’s Accounting Policies outline how the Council should account for all income, expenditure, assets and liabilities held and incurred during the 2021-22 financial year.

The Accounting Policies of the Council are updated annually to reflect any changes in IFRS, including changes in International Public Sector Accounting Standards (IPSAS), HM Treasury guidance, CIPFA guidance or any other change in statute, guidance or framework impacting on the Council’s accounts. The Accounting Policies of the Council, as far as possible, have been developed to ensure that the accounts of the Council are understandable, relevant, free from material error or misstatement, reliable and comparable.

Explanation of the Accounting Statements which follow

- Comprehensive Income and Expenditure Statement (CIES) – This shows the cost of providing services in accordance with generally accepted accounting practices.
- Balance Sheet (BS) – This shows the value of all assets and liabilities. Reserves are matched against net assets and liabilities.
- Cash Flow Statement (CFS) – This statement shows the changes in cash and cash equivalents of the Council.
- Movement in Reserves (MiRS) – This shows the movement on the different reserves held, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and 'unusable' reserves.
- Notes to the Accounts – Not a statement, however they provide supplementary information.

Performance

Local authorities can present the breakdown of services within the CIES based on how an authority is organised and funded. The Council has, therefore, presented its CIES on the basis of how it reports its management accounts during the financial year, which is primarily by Cabinet Member Portfolio, but from May 2021 amended for operational and reporting purposes, as explained below.

The Council is structured into four departments but up until May 2021 reported through seven Cabinet Member Portfolios. These portfolios were Adult Care, Clean Growth and Regeneration, Corporate Services, Health and Communities, Highways, Transport and Infrastructure, Strategic Leadership, Culture and Tourism and Young People.

After May 2021, the portfolio structure changed, and the seven Cabinet Member Portfolios were increased to nine Cabinet Member portfolios. These portfolios, from May 2021 on, are Adult Care, Children's Services and Safeguarding, Clean Growth and Regeneration, Corporate Services and Budget, Education, Health and Communities, Highways Assets and Transport, Infrastructure and Environment, and Strategic Leadership, Culture, Tourism and Climate Change. For operational and reporting purposes the Children's Services and Safeguarding and Education portfolios are combined, giving eight operating segments. The Council's 2021-22 portfolio income, expenditure and net cost of services are reported under these eight operating segments. 2020-21 portfolio income and expenditure in the CIES and in the note on Expenditure and Funding Analysis have been reanalysed, to ensure that they are comparable with the 2021-22 operating segments. For clarity, the Council's 2020-21 total portfolio income, expenditure and Net Cost of Services reported under these revised operating segments remain unchanged from the audited 2020-21 accounts.

Revenue Expenditure

The Council set its net budget requirement for 2021-22 on 3 February 2021 and originally planned to spend £572.475m, with funding coming in the form of Government non-ring-fenced grants of £189.838m, Council Tax of £348.822m, business rates collected locally of £17.679m and the use of Earmarked Reserves of £16.136m.

In 2021-22 the Council has spent £584.773m, against a final net budget of £611.624m. The increase in net budget is because of additional general grant income of £38m, of which £16.810m relates to general Covid-19 grants, £7.127m to Business Rates Reconciliation Grant, £6.000m to Local Council Tax Support Scheme Grant, £2.534m to additional former Independent Living Fund Grant and £2.357m to Business Rates Relief Grant, and £3m less business rates income than expected, plus additional net transfers from Earmarked and General Reserves of £5m.

The table below summarises the Council's revenue outturn for 2021-22, compared to controllable budget, highlighting the Cabinet Member Portfolio and Corporate net underspends. The overall Council underspend for 2021-22 is £26.851m, after accounting for use of £11.215m of the Department for Levelling Up, Housing and Communities (DLUHC) Covid-19 pandemic emergency grant funding awarded, and £1.473m of compensation for lost sales, fees and charges income claimable under the Government scheme announced on 2 July 2020, which was extended to 30 June 2021.

Spending on schools is funded by the Dedicated Schools Grant (DSG). The Council received £373.432m in 2021-22. Note 38 sets out the DSG grant in more detail. The Council also has responsibility for Public Health funding. A total of £43.575m was received in 2021-22, in the form of ring-fenced grants from Government, comprising the main Public Health Grant of £42.607m and other grants of £0.968m, to pay for Public Health services. There was an overspend against the balance of the grants of £0.120m. The outturn table shows the positions net of the impact of these grants, other ring-fenced grants and income from other third parties and their associated spend.

	Final Net Budget £m	Actual £m	Outturn £m
Controllable:			
Adult Care	262.812	260.228	(2.584)
Children's Services and Safeguarding and Education	138.906	140.582	1.676
Clean Growth and Regeneration	1.108	1.005	(0.103)
Corporate Services and Budget	54.276	58.096	3.820
Health and Communities	10.553	9.010	(1.543)
Highways Assets and Transport	32.539	33.764	1.225
Infrastructure and Environment	43.061	42.661	(0.400)
Strategic Leadership, Culture, Tourism and Climate Change	12.899	12.010	(0.889)
Portfolio Outturn	**556.154**	**557.356**	**1.202**
Risk Management	24.449	0.000	(24.449)
Debt Charges	29.882	29.151	(0.731)
Interest and Dividends Receivable	(3.453)	(5.417)	(1.964)
Levies and Precepts	0.354	0.354	0.000
Corporate Adjustments	4.238	3.329	(0.909)
Total Outturn Position	**611.624**	**584.773**	**(26.851)**
Transfers to / from reserves:			
RCCO - Capital Funded from Revenue	0.363	0.363	0.000
Transfer to Earmarked Reserves	104.495	104.495	0.000
Transfer from Earmarked Reserves	(81.665)	(81.665)	0.000
Use of General Reserves	(49.126)	(49.126)	0.000
Contribution into General Reserve	5.116	31.967	26.851
	590.807	**590.807**	**0.000**
Financed By:			
Council Tax	(348.822)	(348.822)	0.000
Revenue Support Grant	(13.813)	(13.813)	0.000
Business Rates	(14.351)	(14.351)	0.000
Business Rates Top-up	(94.892)	(94.892)	0.000
Business Rates Relief Grant	(15.365)	(15.365)	0.000
New Homes Bonus	(1.549)	(1.549)	0.000
Other General Revenue Grants	(91.511)	(91.511)	0.000
PFI Grant	(10.504)	(10.504)	0.000
	(590.807)	**(590.807)**	**0.000**

Of the £1.202m portfolio overspend in 2021-22, the significant variances were overspends of £1.676m on the Children’s Services and Safeguarding and Education portfolio and £3.820m on the Corporate Services and Budget portfolio, and an underspend of £2.584m on the Adult Care portfolio.

The overspend on the Corporate Services and Budget portfolio is mainly because of Corporate Property savings which have not been achieved, running costs of buildings awaiting disposal or repurpose, and overspends in Industrial Development, as full occupancy cannot be achieved and some units are offered at rents below market rates for occupying charities, or including rent-free periods in exchange for tenants undertaking essential repair and maintenance work.

The overspend on the Children's Services and Safeguarding and Education portfolio has resulted from a high demand and cost of Home to School Transport journeys for children with special educational needs (SEN), continued high demand for placements for children who are in care, or unable to remain at home, and the high cost of care packages to support children with disabilities with complex needs to remain with their families, or maintain their current placement.

The underspend on the Adult Care portfolio is mainly due to reduced spend on staff travel and increased Clinical Commissioning Group (CCG) funding within Social Care Activity, and underspends within the Healthy Homes, Advocacy and Carer Services.

The overspends on the Corporate Services and Budget, Children's Services and Safeguarding and Education and Highways Assets and Transport portfolios have been funded from the Council's General Reserve in 2021-22.

There has been an underspend on corporate budgets in 2021-22. The underspend on the Risk Management budget relates to unutilised contingency amounts, additional general grant income and one-off funding returned from portfolios. Proposals for the use of the underspend will be set out in the Council's Revenue and Performance Outturn Report 2021-22, details of which are summarised below. There is a small underspend on the Debt Charges budget. The Council utilises a range of investments to maximise its interest and dividend income on balances. Interest income includes interest accrued on the loan advances to Buxton Crescent Limited. The underspend on Corporate Adjustments reflects the presentation of a deficit relating to the Property Direct Service Organisation within the Corporate Services and Budget portfolio and the phasing of project expenditure within the Corporate Services and Budget and Highways Assets and Transport portfolios.

The overall Council underspend results in a £26.851m increase in the Council's General Reserve, to a balance of £60.505m at 31 March 2022. Commitments of £20.917m against this balance are proposed in the Council's Performance Monitoring and Revenue Outturn 2021-22 Report and are detailed below. Further commitments against this balance are referred to in the Council's 2022-23 Revenue Budget Report. The delivery of the Council's Five Year Financial Plan (FYFP) is heavily dependent on an adequate level of General Reserve. The need to maintain an adequate, risk assessed level of reserves has been a key part of the Council's success in both maintaining its financial standing and continuing to deliver high quality services. The balance will be further reduced by the measures required to deliver the Council's FYFP. The adequacy of the Council's General Reserve balance is considered later in the Narrative Report.

At 31 March 2022 there were £2.315m of portfolio ring-fenced commitments. In addition to the ring-fenced commitments, the Council's Performance Monitoring and Revenue Outturn 2021-22 Report proposes to allocate the remaining portfolio underspends of £3.351m to the Adult Care, Clean Growth and Regeneration and Strategic Leadership, Culture, Tourism and Climate Change portfolios, to help manage their allocated budget savings in 2022-23 to 2026-27. To provide flexibility in meeting budget pressures and savings targets, these amounts will be carried forward in departmental earmarked reserves. Any decisions on the use of departmental earmarked reserves containing underspends will continue to be subject to appropriate approvals, either by Executive Director or Cabinet Member.

In addition, the process of detailed review of earmarked reserves will continue and any available balance will be returned to the General Reserve, as appropriate. The Council's Performance Monitoring and Revenue Outturn 2021-22 Report proposes to release the Post Covid Funding Risks Earmarked Reserve of £14.000m, as the risks that this reserve was intended to cover are considered to be adequately covered by the remaining balance of Covid-19 general emergency funding at 31 March 2022, amounting to £15.370m, which is being carried forward to 2022-23 in an earmarked reserve, referred to below. The Council's Performance Monitoring and Revenue Outturn 2021-22 Report further proposes to allocate £10.000m to a newly established Inflation Risks Earmarked Reserve, to assist the Council in managing the impact of rising inflation, £4.000m to a newly established Cyber Security Earmarked Reserve to manage cyber security risks, £10.000m to the Budget Management Earmarked Reserve, to assist the Council in meeting revenue budget pressures over the period of the FYFP, and £5.251m (in corporate budgets underspends as a result of the receipt of an additional £7.127m Business Rates Reconciliation Grant 2020-21) to a newly established Business Rates Risks Earmarked Reserve, to manage expected future volatility in locally retained business rates income.

The Comprehensive Income and Expenditure Statement shows a deficit on provision of services of £169.441m. This is different to the outturn position shown above as it includes both cash transactions and non-cash items, such as depreciation. Loss on disposal of non-current assets, which includes the conversion of four schools to academies during the year, comprises £63.382m of the deficit.

Covid-19

The Council has played a critical role in helping to lead the local response to the Covid-19 pandemic, both through its own services and working alongside partner organisations. Over the last twelve months, the Council has mobilised its resources and expertise as part of local Covid-19 contact tracing and testing work, making almost 33,000 calls, undertaking 116,000 lateral flow tests, and providing advice to 227 workplaces, 255 care homes, 502 education settings and 39 other organisations about Covid-19 outbreaks.

Delivery of the Covid-19 recovery strategy has begun, helping to support communities and businesses to recover. This includes boosting tourism, a key local sector that has been significantly impacted by Covid-19, and the creation of a £15m recovery fund in July 2020 to support those impacted by the pandemic.

The Council has responded to the impact of the rising cost of living being experienced by Derbyshire residents.

In October 2021 the Council was awarded a Household Support Fund grant to support local households facing financial hardship in relation to rising food, energy and essential living costs as the country recovered from the pandemic. The grant terms stipulated that at least 50% of the fund must be distributed to households with children. The Council took a blended approach to distributing the grant, working cross-Council and with district and borough partners to help ensure the funding reached those who needed it most. By 31 March 2022, the Council and partners had successfully distributed all the £5.404m grant to households in need, despite the short timescale available for both planning and delivery. The additional grant funding allowed the Council to respond to increased demand on the Derbyshire Discretionary Fund (DDF), awarding £1.400m via the DDF in emergency 'household support fund' cash grants. During 2021 the Derbyshire Discretionary Fund supported 12,000 Derbyshire residents with awards of emergency cash payments, exceptional pressure grants and awards of Covid-19 support payments. Nineteen Feeding Derbyshire projects, which provide activities and food for children over the summer holidays, have also been supported. A further £2.100m of the grant was distributed via one-off grocery vouchers to those eligible for benefit-related free school meals, care leavers and children in receipt of additional early years childcare funding because of a low household income. District and borough councils used £1.700m of the grant to address homelessness prevention, welfare and other associated emergency housing needs locally, and cash grants were awarded to low-income families and care leavers by children's professionals and partner agencies.

As the county moves into the next phase of living with Covid-19, protecting the health of local people will remain a key focus, with the Council continuing to work alongside the NHS to support and drive the uptake of the Covid-19 vaccination programme. Work to bring health and social care organisations together, to work more closely than before, will also be a key area of activity, ensuring that the best care and services are provided for local people through Joined Up Care Derbyshire.

Over the next twelve months, the Council will move forward on delivering the following key actions:

- Supporting more Derbyshire people to volunteer to help their communities, learning from and building on the remarkable response to the Covid-19 pandemic.
- Continuing to deliver the ongoing Covid-19 response and recovery in relation to health protection, alongside wider partnership action to tackle health inequalities.
- Working in partnership with the NHS, to support the establishment of a well-functioning Integrated Care System, Integrated Care Partnership and Local Place Alliances, that benefit the health and well-being of the people of Derbyshire.
- Agreeing and implementing the Covid-19 Economic Recovery Strategy, to drive good growth and maximise low-carbon economic opportunities.

- Working with schools and other education providers, to implement new strategies and support, to enable children and young people to achieve their educational potential, and to begin to catch up on learning they have missed due to Covid-19 restrictions.

The financial implications of Covid-19 were captured and reported regularly to the Department for Levelling Up, Housing and Communities (DLUHC), formerly the Ministry for Housing, Communities and Local Government (MHCLG), during the year. In 2021-22, the gross cost to the Council in respect of the Covid-19 pandemic was £55.592m (2020-21: £81.428m), before Covid-19 specific recharges and grant income, and Covid-19 general grant income. These gross costs have been fully funded in 2021-22, using £44.377m (2020-21: £47.639m) of available Covid-19 specific recharges and grant income, with the balance of £11.215m (2020-21: £33.789m) funded using the Council's general Covid-19 emergency funding for Local Government of £26.585m (2020-21: £45.037m), which is comprised of £11.248m brought forward from 2020-21 and £15.337m received in 2021-22. The remaining balance of the Covid-19 general emergency funding at 31 March 2022, amounting to £15.370m, has been carried forward to 2022-23 in an earmarked reserve. A more detailed analysis is available in Note 50 to the Accounts.

Government has supported the Council as it works through the inevitable impact of Covid-19. However, the effects on communities and the local economy could be felt for years and the Council must plan for increased demand and pressure on services. Difficult decisions around additional budget savings over the timeframe of the FYFP will need to be made but the Council will continue to lobby Government for additional resources. With the ongoing pandemic and uncertainty around aspects such as Variants of Concern, the Council will continue to monitor the situation closely. The Council's approach to delivering services remains steadfast, and the Council will continue to support individuals and communities to get on in life and make a difference to where they live, giving them the tools they need to recover, rebuild and thrive.

Capital Expenditure

In 2021-22 the Council's capital expenditure increased by £22.537m. The Council had planned to spend £163.380m, as set out in the Council's Estimate of Capital Expenditure in the Council's Capital Strategy reported to full Council, but with the effects of the Covid-19 pandemic still impacting on the construction sector, along with slippage, actual expenditure was much less than expected.

	2020-21 £m	**2021-22 £m**
Capital Expenditure	**91.062**	**113.599**
Funded by:		
Grants and Contributions	74.112	52.641
Loans	14.359	57.423
Revenue Contributions	-	0.363
Capital Receipts	2.591	3.172
Total	**91.062**	**113.599**

Previously, the Council funded some capital projects using revenue contributions. However, more recently, due to service pressures on revenue funds and to enable the Council to provide flexibility in managing its budget reductions, the Council changed its approach to allocating funding to capital projects. This led to an increase in the Council's use of available capital receipts and borrowing to replace the revenue contributions no longer being used. This continued in 2021-22 but a specific revenue reserve was also set up to fund certain capital projects, and £0.363m of revenue funding was used for this purpose.

The Council is the Accountable Body for the D2N2 LEP. LEPs are locally owned partnerships between local authorities and businesses. LEPs play a central role in deciding local economic priorities and undertaking activities to drive economic growth and create jobs. Using the freedom and flexibilities given to LEP Accountable Bodies, the Council utilised Local Growth Fund underspends during 2017-18 and 2018-19 to fund its capital programme. In 2019-20 the Council repaid the Local Growth Fund balance of £28.972m used in this way. Under the same freedom and flexibilities, in 2020-21, the Council utilised Getting Building Fund underspends of £16.241m to fund its capital programme. In 2021-22 the Council repaid £15.988m of this funding to the LEP. This has impacted on capital financing in 2020-21 and 2021-22, increasing the grant funding of capital expenditure and reducing borrowing in 2020-21, and conversely, in 2021-22, the repayment has reduced grant funding by £15.988m and increased borrowing by the same amount.

Assets and Liabilities

The value of Property, Plant and Equipment Assets (PPE) has increased by £73.711m because of an increase in the indices used to revalue assets carried at current value, an increase in capital expenditure and a reduction in the disposal of assets as a result of schools converting to academies during the year, referred to in Note 6.

Current and Non-Current Investments have increased by £66.652m and Cash and Cash Equivalents have decreased by £25.427m from the previous year.

Current and Non-Current Debtors have increased by £8.209m.

Creditors and Current and Non-Current Provisions have increased by £43.021m.

Current and Non-Current Borrowing have increased by £53.740m. The Council has not entered into any long-term debt since September 2010. The Council has one Lender Option Borrower Option (LOBO) loan, with a nominal value of £5.000m, remaining.

Pensions liabilities have decreased because of a £212.640m decrease in the valuation of the Local Government Pension Scheme and Teachers Pension Scheme net liabilities. This has contributed to an increase in the Council's Unusable Reserves.

Cashflow

The Council's cashflow in 2021-22 does not highlight any significant changes. However, there have been some impacts from the Covid-19 pandemic, such as a decrease in Business Rates income, lower levels of grant funding to support the Council with pandemic related costs and mitigation measures in 2021-22 compared to 2020-21, and a return to higher levels of capital investment in 2021-22 compared to 2020-21.

Cash inflow from Operating Activities decreased by £8.281m in 2021-22. An increase in Other Operating Payments (non-employee) of £43.748m was offset by an increase in Other Income (non-grant) of £43.995m. A decrease of £6.005m in Business Rates income, a decrease of £4.088m in Other Revenue Grants income and an increase of £2.775m in Payments to and on behalf of employees was partly offset by an increase of £3.029m in Council Tax. Interest payments decreased by £0.492m and Interest and Dividends Received increased by £0.746m in 2021-22.

The net cashflow from Investing Activities changed from an outflow of £88.426m in 2020-21, to an outflow of £124.410m, in 2021-22. Capital Grants received decreased by £65.943m, payments for the Purchase of Non-Current Assets increased by £23.552m and there was a decrease in the net payment for the purchase of investments of £46.950m in 2021-22.

Cash inflow from financing activities increased by £21.337m in 2021-22, as the net inflow from new short-term loans increased by £21.569m.

For 2021-22 the Government set out public spending totals for one year only, with core components rolled forward, increasing from the 2020-21 settlement in line with CPI inflation, key Local Government grants being maintained at 2020-21 levels and £0.3bn of additional funding provided for social care. In addition, further grants were provided in response to the impacts of the Covid-19 pandemic.

In 2021-22 the Council increased Council Tax by 2.5%, levying the Adult Social Care (ASC) Precept at 1% (out of a possible 3% allowed), and increasing basic Council Tax by 1.5%. In 2022-23 the Council increased Council Tax by 3%, which is lower than the full 5% allowed by Government, and as low as the Council could make it whilst recognising the pressures on adult social care, children's services and a host of other vital council services. This 3% increase comprises the ASC Precept levied at 1% and an increase in basic Council Tax of 2%. Council Tax has been kept as low as realistically possible, as Derbyshire households continue to face financial pressures from rising costs. A 2% Council Tax increase is forecast in the Council's FYFP in each subsequent year from 2023-24 to 2025-26.

Better Care Fund (BCF) allocations and additional allocations of improved BCF will also continue to contribute to supporting Adult Care services.

In the event that more schools convert to academy status, there will be a loss of funding through the Dedicated Schools Grant matched by a reduction in expenditure on schools, however it could result in a potential loss of income from services the Council trades with schools.

Given the continued uncertainty of future local government funding, the Council's borrowing strategy continues to address the key issue of affordability, without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead. By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal and short-term borrowing will be monitored regularly against the potential for incurring additional costs, by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. The Council's external treasury management advisor will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2022-23 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board (PWLB) but will consider long term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding, in line with the CIPFA Treasury Management Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity, in order to retain its access to HM Treasury's PWLB lending facility.

Alternatively, the Council may arrange forward starting loans during 2022-23, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. In addition, the Council may borrow further short-term loans to cover cash flow shortages.

Provisions and Contingencies

Movements in provisions and contingencies are disclosed in the Notes to the Accounts. There have been no material changes to policy or to amounts during the year.

Reserves

The Council's Usable Reserves, which include General and Earmarked Revenue Reserves, have decreased by £8.116m, to £412.237m.

The General Reserve balance has decreased by £17.160m from 31 March 2021, to £60.505m at 31 March 2022. The majority of chief financial officers consider an acceptable level of generally available reserves to be one that reflects a risk-based approach to potential liabilities. A relatively crude measure is to expect a prudent level of risk-based reserves to be between 3% to 5% of a council's net spending. As at 31 March 2022, after commitments of £20.917m set out earlier in the Narrative Report, the figure for the Council stood at 6%, indicating a robust balance. However, it is necessary to consider this indicator over the medium term to gain a better understanding of its adequacy.

During 2021-22, the Earmarked Reserves balance has increased by £22.830m, to £283.335m. Earmarked Reserves are held for specific purposes and are regularly reviewed by Cabinet as part of the budget monitoring cycle. A more detailed analysis is available in Note 29 to the Accounts.

The Unapplied Capital Grants Reserve has decreased by £14.851m, to £58.682m at 31 March 2022. This reserve holds the grants and contributions received towards capital projects, but which have yet to be applied to meet capital expenditure. As referred to in respect of the profile of the Council's Capital Expenditure in 2021-22 above, using the freedom and flexibilities given to LEP Accountable Bodies, in 2020-21 the Council utilised Getting Building Fund underspends of £16.241m to fund its capital programme. In 2021-22 the Council repaid £15.988m of this funding to the LEP. The majority of the decrease in the Unapplied Capital Grants Reserve in 2021-22 is because of the repayment of this temporary funding provided in 2020-21.

The Capital Receipts Reserve has increased by £1.062m, to £9.715m at 31 March 2022. This is money set aside to meet capital expenditure and has been used mainly to fund Markham Vale, the Coalite regeneration site and Breadsall Pupil Referral Unit (PRU) and Primary School. The reserve has increased in 2021-22 primarily due to sales of assets, surplus to the Council's requirements, such as the former Ada Belfield Home for Older People, Chesterfield Registry Office, the former Church Gresley Infant and Nursery School and Land at Park Road, Newhall.

After adjusting for non-cash items, the Council's General and Earmarked Reserves remain at robust, risk assessed levels. These levels are key to the delivery of the Council's objectives over the medium term as a means of helping to manage significant potential liabilities and the general reduction in resources. All such risks are regularly reviewed and appear alongside mitigating actions, on the Council's Strategic and Departmental Risk Registers. The Council formally reviews its reserves at least annually, as set out in the Council's Reserves Policy. The last review was reported to Council in February 2022.

Pensions

Prior Period Adjustments

During 2021-22, the Actuary for the Derbyshire Pension Fund (Fund) advised the Council that it had identified an error in its allocation of Fund assets in the 2019 actuarial valuation of the Fund, affecting the Council and Derby City Council (Derby City).

The Actuary has identified that in its 2019 Fund actuarial valuation it had not applied all the required adjustments to reflect the agreed split of responsibility for the councils' deferred and pensioner members' benefits following the 1997 Local Government Reorganisation.

Overall Fund assets in the 2019 Fund actuarial valuation are as the Actuary intended but the split of assets is incorrect between the Council and Derby City, with the assets of the Council being understated, and the assets of Derby City being overstated by the same amount. In monetary terms, the amount that the Council's assets are understated in the 2019 Fund actuarial valuation is £52m, equivalent to 2.5% of the Council's overall asset value in the Fund at the 2019 valuation.

The misstatements have a material impact on the Council's CIES and Balance Sheet for 2019-20 and 2020-21. The Council has therefore, in line with the CIPFA Code of Accounting Practice requirements, presented a CIES and Balance Sheet which reflect the required material retrospective restatements and this Note is restated accordingly. Full details of the impact of these restatements are given in Note 4.

Liability

Under International Accounting Standard 19 (IAS19), the Council is required to show the total future costs of pension liabilities for the Local Government Pension Scheme. This is a notional figure, as the Council's budget is constructed on the basis of actual contributions payable.

The IAS19 notional cost of the LGPS scheme for 2021-22 is £155.618m and for Teachers Pensions is £1.111m. The actual contributions made for the year were £60.299m and £4.117m respectively, resulting in a net adjustment to the revenue position of £92.313m. In addition, there were actuarial gains on both schemes, amounting to £303.020m and £1.933m respectively, resulting in a decrease of £212.640m in the total pensions liability of the Council, from the restated position of £1,024.523m at 31 March 2021 to £811.883m at 31 March 2022.

There were gains arising from changes to the demographic and financial assumptions used to measure LGPS scheme liabilities in the actuarial valuation as at 31 March 2019, in addition to the return on LGPS scheme assets in 2021-22.

The overall net pensions liability is offset by a matching notional reserve, ensuring there is no impact on the level of Council Tax. The debit balance on the pensions reserve therefore shows a substantial shortfall between the benefits earned by past and current employees and the resources that the Council has set aside to meet them. The Funding Strategy adopted by the Pension Fund will ensure that funding will have been set aside by the time the benefits come to be paid.

Events After the Balance Sheet Date

There were no significant events between the balance sheet date and the approval of these financial statements which would require disclosure or adjustment of the statements.

Organisation and Governance

The Council is composed of 64 Elected Members who are democratically accountable to the residents of their electoral division. Members follow a Code of Conduct, to ensure high standards in the way they undertake their duties. The Cabinet consists of the Leader of the Council and, up to May 2021, six Members. From May 2021, following changes to the Council's portfolios set out earlier in the Narrative Report, the composition of the Cabinet changed to the Leader of the Council and eight Members. The Cabinet is responsible for guiding the Council in the formulation of the corporate plan of objectives and key priorities, which is referred to in more detail, under Strategy and Resource Allocation, below. Within the policy framework, budgets and major plans are approved by the full Council and the Cabinet has executive responsibility for the implementation of the Council's key goals and objectives.

The Governance, Ethics and Standards Committee promotes and maintains high standards, assists Members in observing the Code of Conduct and advises the Council on matters related to the Code of Conduct. The Council also operated five Improvement and Scrutiny Committees during 2021-22, which support the work of the Cabinet and the Council as a whole.

All Members meet together as the Council. Meetings are generally open for the public to attend, except where confidential matters are being discussed.

More information on the Council's Governance Framework is included in the Council's Annual Governance Statement, which is included at the end of these accounts.

Local Enterprise Partnership

D2N2 is the Local Enterprise Partnership (LEP) for Derby, Derbyshire, Nottingham and Nottinghamshire. It plays a central role in deciding local economic priorities and undertaking activities to drive economic growth and create local jobs. It is a locally owned partnership between the public and private sectors and in April 2019 became incorporated in line with new Government guidelines. It is managed by a Board made up of the constituent councils, including Derbyshire County Council and private sector representatives.

From April 2019 the Council became the single accountable body for all D2N2 LEP funds. As Accountable Body, the Council is responsible for overseeing the proper administration of financial affairs within the LEP with regard to public funds.

Over the six years up to 2020-21, the D2N2 LEP received over £250 million in Government funding, from the Local Growth Fund. Local Growth Fund grants were allocated to projects in the Derbyshire/Nottinghamshire region, following approval of successful grant bids by the Investment Board. A further £44 million was allocated in July 2020, from the Getting Building Fund. During 2021-22, Getting Building Fund grants have been allocated to three projects, after successful grant bids were received and approved by the Investment Board.

In February 2022, the Government published its Levelling Up White Paper, which makes clear that the private sector which LEPs represent will be critical to levelling up. The White Paper sets in motion some changes to the roles and functions of LEPs, to ensure local areas are in the best possible position to deliver the Government's shared levelling up objectives over the longer term, to ensure that businesses outside of devolution areas continue to be able to access the support, insights and representation that LEPs provide, and to ensure that an independent business and stakeholder voice continues to play its vital role supporting growth in all parts of England. Until devolved institutions exist in an area, the Government will support LEPs as they are currently constituted, subject to future funding decisions. To provide clarity and certainty to LEPs and local democratic institutions, the Government will provide core/transition funding, at a rate of £0.375m for each LEP for 2022-23, reflecting their revised role and functions and subject to business case approvals. The Government will work with all LEPs, combined authorities, the Greater London Authority, local authorities, the LEP Network, and other local partners to manage as smooth a transition as possible. Where LEP functions and roles are to be integrated, an 'integration plan' will need to be submitted to Government by 27 January 2023.

The D2N2 LEP's income and expenditure is accounted and administered independently from the Council's accounts and therefore, do not form part of the main statements which appear later in this Statement of Accounts. This is in accordance with the principles set out in the Local Authority Accounting Code of Practice where the Council is acting as an intermediary and is therefore following the agent principle as set out in section 2.6.2.1 of the Code.

Vertas (Derbyshire) Limited, Concertus (Derbyshire) Limited and PSP (Derbyshire) LLP

Vertas (Derbyshire) Limited (VDL) and Concertus (Derbyshire) Limited (CDL) are private limited companies in which the Council has a 49% stake, with the aim of providing cleaning and caretaking services and property design and consultancy, respectively. The transition of the Council's cleaning and caretaking service and design services took place on 1 September 2020. VDL and CDL are run as Joint Venture companies with the other shareholders being part of Suffolk Group Holdings Limited, whose ultimate parent undertaking and controlling party is Suffolk County Council. During 2021-22, income of £0.489m was receivable from VDL, of which £0.077m was outstanding at 31 March 2022. CDL income receivable in 2021-22 was £0.052m, of which £0.004m was outstanding at 31 March 2022. During 2021-22, expenditure of £7.600m was payable to VDL, £3.322m was payable to CDL, and there were no outstanding balances at 31 March 2022.

PSP (Derbyshire) LLP (PSPD) is a limited liability partnership (LLP) formed between the Council and PSP Facilitating Limited (PSPF), under the provisions of the Limited Liability Partnership Act 2000, with the aim of improving, rationalising or developing the Council's surplus property. PSPD will help the Council unlock value from its land and property portfolios; facilitate the promotion, development, asset management rationalisation and economic regeneration, on a project by project basis, of Council land; and utilise private sector funding, resources and skills; resourced through the operation of the partnership. There were no transactions with the company during 2021-22.

Strategy and Resource Allocation

The Council Plan 2021-22 set out the direction of the Council and the outcomes that the Council is seeking to achieve.

Outcomes

- **Resilient and thriving communities** which share responsibility for improving their areas and supporting each other.
- **Happy, safe and healthy people** with solid networks of support, who feel in control of their personal circumstances and aspirations.
- **A strong, diverse and adaptable economy** which makes the most of Derbyshire's rich assets and provides meaningful opportunities for local people to achieve their full potential.
- **Great places to live, work and visit** with high performing schools, diverse cultural opportunities, transport connections that keep things moving, and a healthy and sustainable environment for all.
- **High quality public services** that work together and alongside communities to deliver services that meet people's needs.

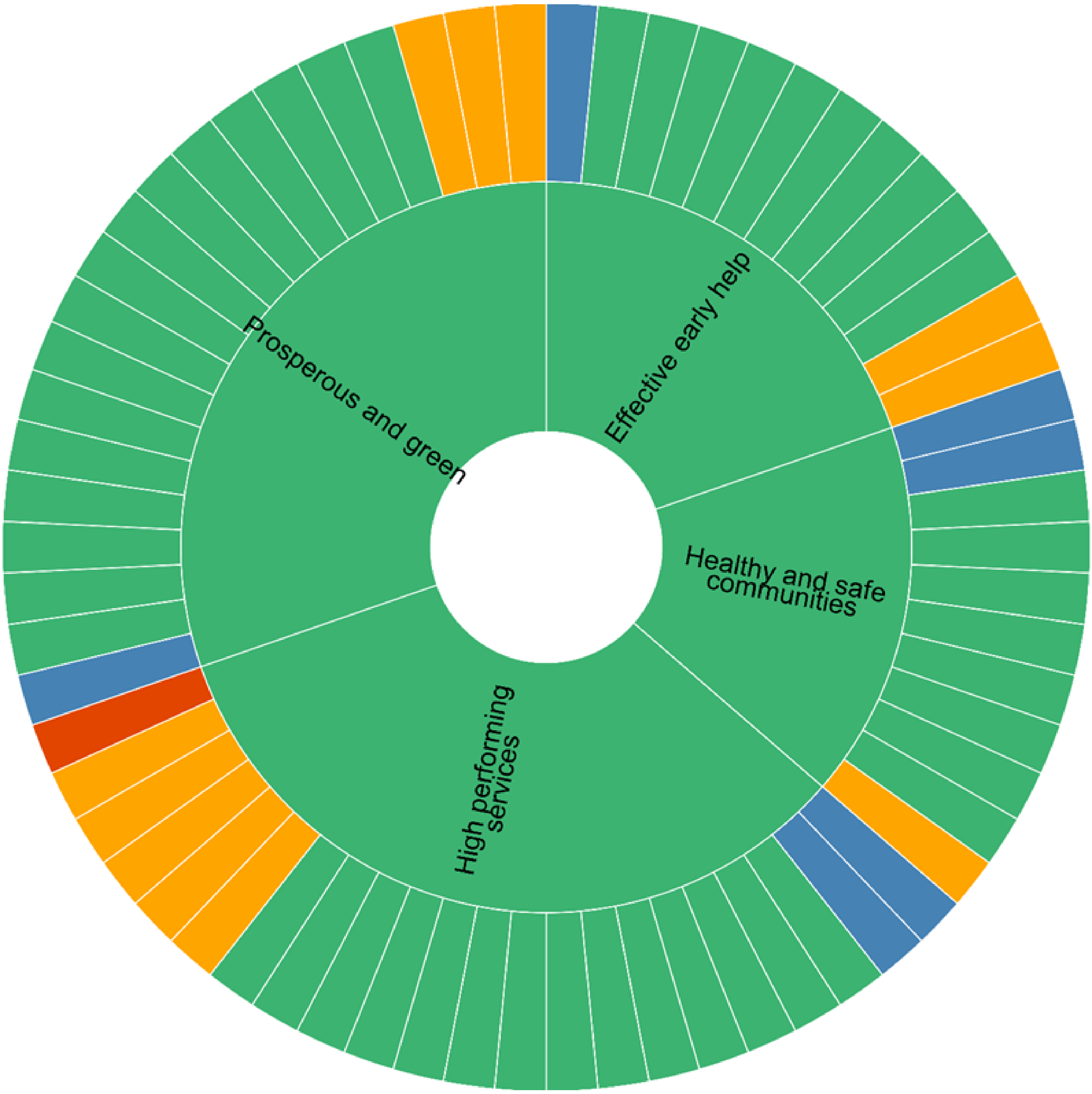
Performance Overview

The Council Plan 2021-22 identifies a small number of focused priorities to direct effort and resource, supported by "deliverables" under each priority. These set out what the Council aimed to deliver over the year, supported by key measures which enable the Council to monitor the progress made.

To ensure effective monitoring, and to facilitate appropriate actions, performance is reported in context, with accompanying financial information, on a quarterly basis. The reports were delivered by portfolio, to individual Cabinet members, and combined, to Cabinet.

Deliverables

Good progress has been made in delivering the Council Plan during 2021-22. Of the 66 deliverables in the Plan, 72% have been rated as 'Good', with a further 9% rated as 'Strong'. Only 17% have been rated as 'Requiring Review' and 2% as 'Requiring Action'. A graphical representation of the Council's performance for 2021-22 against its priorities (inner wheel) and deliverables (outer wheel) is below. The colours in each segment show the progress the Council has made during 2021-22.



Key

- Strong – performing strongly
- Good – performing well
- Review – will be kept under review to ensure performance is brought back on track
- Action – additional action will be/is being taken to bring performance back on track

The following table provides a summary of the deliverables progress throughout the year.

	Jun 2021	Sep 2021	Dec 2021	Mar 2022
Strong	3	2	4	6
Good	52	54	50	48
Review	6	8	10	11
Action	1	2	2	1

Measures

A set of key measures have also been developed to enable the Council to further monitor the progress it is making by reporting performance against targets. The colours in each segment of the wheel below show the Council's success in achieving its performance targets. Of the 37 key measures with data at this point in the year, twelve have been rated as 'Strong', with a further seven rated as 'Good'. Only three have been rated as 'Requiring Review' and fifteen as 'Requiring Action'. Measures which are grey currently have no data available for 2021-22.

Key Strong Good Review Action Data not available/Target not set

The followign table provides a summary of the measures performance throughout the year.

	Jun 2021	Sep 2021	Dec 2021	Mar 2022
Strong	4	9	12	12
Good	5	5	6	7
Review	2	3	3	3
Action	3	7	9	15

Review of Performance

During the year there were a number of key areas of success. Some highlights are as follows:

- In setting its Council Tax requirement in 2021-22 the Council was in the lowest 25% of comparable County Councils.
- Supported people with over 50,000 separate grants and vouchers from a range of programmes and schemes aimed at individuals and families in need.
- The Council continues to centralise its property assets and during the year raised £2.783m from the sale of land and buildings no longer required.
- Increased the number of children's homes rated as outstanding from two to five, with the rest all rated as good, including two first time inspections.
- Raised the percentage of 16-17 year olds in education, employment or training to 96.1%, higher than previous years and above the national and regional averages.
- Delivered the £40m Highways Capital Programme of improvements across a range of highway assets.
- Achieved 52% satisfaction with Highways and Transport services, one of the highest performing County Councils, and in line with the national average of 52%.
- Achieved a record number of 1,757 people quitting smoking, with the quit rate of 67% above the national average.
- Developed and published the Climate Change Strategy and Action Plan and provided £0.405m from the Green Entrepreneur Fund in grants and scholarships.
- Reduced streetlight emissions in 2021-22 by 24% from the 2020-21 level.
- Confirmed a reduction in emissions from Council operations and property of 63% from 2009-10 to 2020-21, remaining on track for achieving net zero by 2032.
- Worked with people with a learning disability, or who are autistic, to put in place 373 new outcome focused plans during 2021-22.
- Provided 900 people with assistive technology throughout 2021-22, to support independent living.
- Successfully implemented a Customer Relationship Management system, with 140 services made available online in the first phase.
- Successfully transferred Woodville Library to Community Management.
- Developed and launched new strategies in respect of Equality and Diversity and Domestic Violence.
- Successfully completed reviews of the Finance and Human Resource functions, delivering savings in both areas.

Key areas for consideration are:

- The 2021-22 outturn budget savings are £11.154m, against a target of £26.907m. Budget savings achieved are lower than planned due to the impact of Covid-19 on services and finances, however these are being actively managed to ensure the Council remains within its agreed budgetary position.
- Covid-19 continues to impact on the ability to meet the savings targets. However, all identified savings are being actively monitored to ensure long term targets are met.

- Responses to the annual Your Council Your Voice showed residents' perceptions of the Council were lower than in previous years. A small time-limited cross-departmental task and finish group has been established to look at the survey results and recommend appropriate action.
- The number of approved fostering households has seen a downward trend during 2021-22. The number of foster carers being approved is not keeping pace with foster families leaving the service for a variety of reasons, including retirement, and the impact of the Covid-19 pandemic on family life. Work from the Achieving Great Futures programme relating to recruitment and retention is positive but this has not translated into changes in foster carer numbers in time to reach the end of March 2022 target.
- Covid-19 has impacted on the progress of work in respect of establishing a Portfolio Management Office, developing an organisational recovery strategy and addressing social mobility. The work and resources required to move these forwards has been identified and will be progressed during 2022-23, and managed as part of the Vision Derbyshire and Enterprising Council work streams.
- The percentage of pupils in secondary schools rated Good or better is significantly below the national rate. This area will be prioritised during 2022-23, with the intention of reflecting the improvements seen in Primary Schools.

Outlook, Risks and Opportunities

Funding

The local government sector is seeking a multi-year settlement, beyond 2022-23, to provide funding certainty and stability, similar to the four-year offer made by Government in 2015. A multi-year settlement provides local authorities with some certainty, supporting medium-term financial planning and financial sustainability.

In a fourth continuous single-year settlement the Local Government Finance Settlement for 2022-23 set out allocations for one year only. Single-year settlements constrict the flexibility of local authorities to balance budgets across the medium term. The local government sector has implored Government for a multi-year settlement. Meetings with Government representatives during Autumn 2021 indicated that 2022-23 would be the first year of a multi-year settlement. The Council will continue to lobby Government by responding to appropriate consultations in support of both a fair funding and multi-year settlement for the Council.

The Council's FYFP is reviewed and updated at least annually. It was last updated during the annual budget setting process for 2022-23, earlier in 2022. A number of risks regarding the assumptions made in developing the FYFP were highlighted in the Revenue Budget Report, these being:

- **Achievement of Savings** – there is a reliance on the achievement of a programme of budget savings. Any delays in implementation result in departmental overspends under normal circumstances, which result in reserves being used to cover the shortfall. Various scenarios for reserves have been modelled and the pessimistic General Reserve forecast results in a balance which is just 1.4% of forecast FYFP spending in 2026-27. Other earmarked reserves available for budget management are also forecast to reduce. The General Reserve needs to be preserved across the medium term to maintain financial sustainability, preserve the ability to soft land budget cuts and provide funding for Covid-19 recovery.
- **Service Pressures –** there is a commitment to support budget growth where necessary, and in particular within children's social care. However, if current trends continue regarding placements and there is inadequate funding to support this, there will be further pressure on budgets in later years. However, there is analysis underway to consider how to mitigate demand pressures on the number of looked after children, which has the potential to help control some of these financial pressures, but they are unlikely to be effective in the short-term. Demographic growth continues to affect Adult Social Care costs. Predictions show that the Council will experience further annual growth, with significant additional annual costs estimated over the period of the FYFP.
- **Pay –** the FYFP assumes that the Council's bottom pay-point reaches £10.69 an hour by 2024-25, which is based on the Government's NLW target to reach two thirds of median earnings by 2024. However, this wage is not calculated according to what employees and their families need to live, instead taking into account what is affordable for organisations. Under current Living Wage Foundation 'Real Living Wage' forecasts this would mean a rise to £10.50 per hour by 2024. In line with this forecast it is the Council's ambition that the Council's bottom pay-point will be £10.50 an hour by 2024. However, this pay ambition is not currently affordable within the constraints of the Council's funding. The Council would welcome Government support for local authorities in the 2022-23 Settlement, or if that is not possible, in future settlements, to address the serious issue of increasing pay award pressures in a period of rising inflation. Additional funding would assist the Council in its recruitment and retention of staff, which is becoming increasingly difficult at this key time for local authorities, when services are competing with rising demand and the impacts of the Covid-19 pandemic, as well as capacity issues across the sector.
- **Economic Climate** – the Covid-19 pandemic has resulted in a significant economic shock, from which the economy has partly bounced back, but it has taken some time to recover Gross Domestic Product to pre-pandemic levels. Rising inflation means there is the potential for reductions in the Council's income for discretionary services.
- **Spending Reviews** – the Government has issued single year spending reviews for the last three financial years. Despite the signals, 2022-23 will be the fourth continuous single-year settlement. A multi-year settlement provides local authorities with some certainty, supporting medium-term financial and service planning, and financial sustainability. There is also a risk that the Government's investment in the Covid-19 pandemic may result in further austerity measures in future years, as savings are required to repay the debt incurred by Government.

- **Fair Funding and Business Rates Reviews** – the reviews have been delayed for a number of years and the planned implementation for April 2021 was again postponed. A transparent, fair funding system is required, which reflects need and ability to fund services locally. The FYFP is predicated on the basis that mainstream funding continues as it is now.
- **Public Health Grant** – the Council's allocation for 2022-23 is £43.803m, which is a 2.81% increase on the 2021-22 allocation. The ring-fence and grant conditions will remain in place for 2022-23, but at some point in the future it is expected that the funding for Public Health will form part of revised funding mechanisms for local authorities following funding reviews, levelling up communities and addressing health inequalities exposed by Covid-19.
- **Devolution** – the Levelling Up White Paper was published in February 2022. The paper sets out how Government will spread opportunity more equally across the UK. Levelling up is a long-term endeavour. It is a programme of change that requires a fundamental shift in how central and local government, the private sector and civil society operate. The Government will embark on a process of sustained and systematic engagement and consultation with a wide range of stakeholders, including devolved administrations, on the White Paper. Further detail on a number of these policy commitments will be set out in future publications. In addition, legislation will be introduced to Parliament to underpin in statute the changes fundamental to levelling up, alongside wider planning measures.
- **Brexit** – whilst a deal has been agreed and implemented between the UK and the EU, there remains elements of uncertainty as to how the agreement will work in practice over the medium to long term.
- **Covid-19 Financial Pressures** – the more infectious Omicron BA.2 sub-variant of concern has become dominant worldwide and new wave cases have dramatically increased. However, cases may have peaked in some areas and hospitalisations are much lower than the levels in January 2021. No additional Covid-19 funding was announced in the Local Government Finance Settlement, although Government might review this, if further variants of concern arise. Covid-19 pressures for the Council remain, as do additional costs. Given the uncertainty around new variants and the potential for further restrictions, the Council would welcome confirmation from Government of the extension of Covid-19 outbreak funding and confirmation that previously issued Covid-19 funding will not be clawed back. This would give some certainty and allow the Council to plan accordingly.

Expenditure

By 2026-27, the Council needs to have reduced expenditure by at least a further £67m in real terms, of which measures amounting to £27m have been identified. This is in addition to £317m of budget reductions the Council has already made to services since 2010.

The shortfall between target and identified savings has grown over the course of 2021-22 and now stands at £40m, around £5m higher than reported in 2020-21. Although £2m of additional savings have been identified over the four years from 2022-23, as part of the budget preparation process for 2022-23, and additional funding is now forecast over these years, meaning the shortfall over these years has reduced by £15m, there is now an expectation that budget pressures will continue into 2026-27, which is the final year of the FYFP, when a further £20m of savings are now forecast as being required.

There is a clear and significant challenge to identify savings to bridge the remaining savings gap and plan the best approach to achieving those savings over the next few years, if additional funding is not received over and above that forecast. Additional funding may come from further increasing Council Tax in 2023-24 onwards, over and above the 2% increases forecast, up to referendum limits, further Government grants over and above those predicted or from increased business rates growth.

As an enterprising council, the Council continues to work extremely hard to find new and innovative ways to provide its most vital services in the most efficient way to those who need them most.

In many cases the proposals will be subject to consultation and equality analysis processes. Significant consultation and planning timeframes are required to achieve many of these savings. Delays in agreeing proposals could result in overspends by departments, which would then deplete the level of General Reserve held by the Council, decreasing its ability to meet short term, unforeseeable expenditure.

Progress against budget savings targets will be closely monitored, however there is a heightened risk of not achieving a balanced budget, because of both cost pressures and savings slippage as a result of the Covid-19 pandemic.

There is a planned use of General and Earmarked Reserves from 2022-23 to 2026-27 in order to achieve a balanced budget.

Increased Demand for Services

There continues to be an increased demand for services, leading to significant cost pressures in providing essential services such as social care and waste. The increasing importance of the identification of the nature and size of future budget pressures will require changes to the horizon scanning currently undertaken by departments, in order to reduce risks inherent in formulating and planning to meet pressures in the FYFP. The Council is working towards agreed methodologies for quantifying the cost implications of the areas of large and consistent budget pressure bids and ensuring these are adequately reflected in risk registers, alongside suitable mitigations, but there is still more work required in this area.

All other budgetary pressures will need to be contained within departmental budgets. As stated in the Revenue Budget Report 2021-22, where departments overspend from 2021-22 onwards, the Council's policy of ensuring that the departmental overspend is met from that department's budget in the following year will be expected after several years of meeting these costs corporately from the General Reserve.

The Council's significant budget pressures are considered further below:

Children's Social Care

As an upper tier authority, the Council is responsible for providing children's social care services. Those services include child protection and safeguarding, care for looked after children and aftercare, support for vulnerable children and their families.

Nationally the number of children in care has risen significantly over the past decade creating unprecedented demand pressures on children's services. The national picture is being reflected in Derbyshire. As at 30 November 2021 there were 921 children in the care of the Council, a 30% increase on the number four years ago.

The costs of caring for looked after children have also been rising. Emerging findings from a study into 'The Future of Children's Social Care' services, published in November 2021 by The County Councils Network (CCN) and Newton, found that the number of children in residential care across England has increased by 27% since 2015, largely due to councils struggling to source suitable alternatives, such as foster carers, and children staying in the care system for longer.

Residential care is the most expensive form of care and average costs per week have been rising significantly. The study found that average residential placement costs falling to local authorities in England have increased by 43% over the five-year period to April 2020. These nationwide pressures are being reflected in Derbyshire.

These pressures are expected to continue to grow for the foreseeable future. The Council, along with many other local authorities in the country, continues to express concern regarding substantial increases in the cost of children's social care, urging Government to provide additional funding for the service.

Schools and Learning

Whilst expenditure on school related activity would normally be expected to be met from within the allocated DSG, there are some school based pressures which could fall to the Council's General Reserve to fund.

The Council's accumulated DSG deficit at 31 March 2022 is £5.050m and will need to be recovered from future DSG income. The main pressures for the Council, as with most local authorities, continues to be in respect of High Needs Block budgets. The December 2021 DSG announcement provided for an increase in High Needs funding of £11.6m (13.1%), however it is likely that further demand pressures may still result in spend exceeding income in 2022-23.

Deficit balances that exist at the point a school becomes an academy may be left with the Council to fund. This is the case for ‘sponsored’ academies. Sponsored academies are those where conversion is a result of intervention, or where the school is not considered to be strong enough without the aid of a sponsor.

There are some statutory duties relating to education which are funded from the Council’s revenue funding. These include home to school transport (HST). Transport cost increases and growing numbers of pupils eligible for Council-funded transport have led to significant increases in spend on HST, in particular HST provided for children with special educational needs and disabilities (SEND). Net costs have risen by 38% in the last four years and this trend is expected to continue.

Adult Social Care

Demographic growth continues to affect adult social care costs. Growth predictions show that the Council is subject to approximate annual increases of £3m in relation to adult services, with a further £2m for children transitioning to adulthood. These additional costs of £5-6m each year are predicted to continue for at least the next five years.

Over the last few years, the National Living Wage has increased annually by between 2% and 7%. For 2022-23, the increase is 6.6%. This directly impacts on the fees the Council pays to the independent sector. If this level of increase is to continue it will cost the Council up to an additional £15m each year for at least the next five years.

Waste

Waste landfill tax, landfill site gate fees and contractual payments for the operation of Household Waste Recycling Sites and Waste Transfer Stations are subject to price rises in line with the Retail Price Index. There are also statutory increases of 3% in the cost per tonne of recycling credits.

The Council and Derby City Council remain engaged in a project to develop a New Waste Treatment Facility (NWTF) in Sinfin, Derby, to deal with waste that residents in Derby and Derbyshire do not recycle. The facility, which was due to open in 2017, was being built on the councils’ behalf by Resource Recovery Solutions (Derbyshire) Ltd (RRS), which was a partnership between national construction firm Interserve, which was also building the plant, and waste management company Renewi plc. However, the contract with RRS was terminated on 2 August 2019, following the issuing of a legal notice by the banks funding the project.

A contract has been put in place by the councils to make sure waste that residents cannot recycle or choose not to recycle continues to be dealt with and that recycling centres and waste transfer stations continue to operate. These services continue to be run by waste management company Renewi UK Services Ltd.

Work had been progressing on the facility to determine its condition and capability, however due to the measures introduced by the UK Government to counter the Covid-19 pandemic, work on site has been affected. This work is also being carried out by Renewi UK Services Ltd and will allow the councils to ascertain what measures need to be in place for the facility to become fully operational. The previous project agreement contains a process for the councils to pay an 'estimated fair value' (EFV) for the plant, taking into account all of the costs of rectifying ongoing issues at the plant and the costs of providing the services to meet the agreed contract standards. The councils are trying to complete this within as short a time frame as possible, but the councils are not wholly accountable for the actions needed, as third parties have a direct influence on how long the process may actually take.

If an agreed EFV cannot be reached through negotiation, it would need to be resolved through formal dispute resolution processes, which have commenced. At the time of publication of the accounts, an agreed EFV has not been reached.

Recovering from the Covid-19 Pandemic

The Covid-19 pandemic continues to impact on the lives of residents and key sectors of the local economy and the Council is working hard, alongside partners, to support businesses and communities across the county. This includes leading economic and social recovery; overcoming challenges in recruiting and retaining staff with the appropriate skills, which has been exacerbated by the pandemic; and responding to the impact of the rising cost of living being experienced by Derbyshire residents.

Protecting the health of local people remains a key focus. Bringing health and social care organisations together to work more closely than before will also be a key area of activity, ensuring that the best care and services are provided for local people through Joined Up Care Derbyshire.

In 2020-21 the Council set aside £15m to support Derbyshire communities and businesses recovering from the effects of coronavirus, with the fund focusing on creating jobs and growth, supporting the green economy, entrepreneurs and business diversification, as well as apprenticeships and training for young people. The funding has helped to pump prime the Council's recovery strategy, alongside Government funding for further measures to support the local economy.

Climate Change

The Council has responded to the threat of Climate Change by the issue of a manifesto and the development of measures to address the manifesto's commitments. Funding was made available in the 2020-21 budget to develop a range of measures. Further reports to Cabinet will help set out the steps the Council will take. However, this is an issue that carries a high risk of financial uncertainty over the long term and will require coordinated effort by all public bodies, especially the Government. In the longer term it is hoped that early costs may be offset by future savings in the same way as the Council's successful LED programme for replacement of streetlights has done.

Through the implementation of the Derbyshire Climate Change Framework, the Council is working with partners to reduce emissions and achieve a net zero target by 2050. Over the last ten years the Council has cut its emissions from its own estate and operations by 55% and has an ambitious target to achieve net zero carbon emissions by 2032, through the Carbon Reduction Plan. The Council is currently developing a Climate Change Strategy and Action Plan which will set out how emissions will be further reduced in the future.

Opportunities

The Council's Strategic Approach

The Council's Strategic Approach governs how the Council works, with and for communities, and in collaboration with its partners. Three key areas of activity are taking the approach forward – Enterprising Council, Thriving Communities and Vision Derbyshire.

Together these key areas place the Council in a stronger position to understand, to adapt and to respond to future challenges and to bring about the changes needed to ensure future success.

Enterprising Council

The role and shape of public services has changed dramatically, and the Council faces significant challenges in providing the services local people want and need. The Council continues to examine modern and innovative ways of providing services with the current focus on developing a strategic approach to transformation, putting in place a Programme Management Office and taking forward its Modern Ways of Working programme. This builds on previous phases which looked at all types of delivery models, including sharing or trading services with other councils.

Being an Enterprising Council means:

- Value for money is at the heart of everything the Council does.
- The Council is efficient and effective.
- The Council focuses on getting the best results for Derbyshire's residents, whether by the Council delivering a service, or by using an external organisation – there is no one size fits all.
- The Council has a bold, innovative and commercial mind-set.
- The Council does things 'with' local people rather than 'to' them and values fairness, openness and partnership.
- The Council is proud of Derbyshire and ambitious for its public services.

In responding to the Covid-19 pandemic, the Council has demonstrated how it can do things differently, be more agile and flexible and work closely with its partners, businesses and communities.

Thriving Communities

The Council recognises that it cannot keep up with the increasing demand for its services and needs to change the way it delivers some of its services. Thriving Communities focuses on listening to residents and understanding their needs, so that the Council can offer support which tackles the problems, rather than just the symptoms. By tackling problems at source, the Council aims to create sustainable support services, which build on the strengths communities already have, to continue far beyond initial funding and Council involvement.

The Thriving Communities approach has been initiated in five areas across the county, which has provided a wealth of insight into the way the system can support people and communities to mobilise and take control of their lives. Further work is now taking place to roll out the next phase of the Thriving Communities approach and programme work across a further three areas in the county.

Vision Derbyshire

Councils across Derbyshire have been working on the development of a new model of local government and shared leadership. Phase 1 saw all ten councils in Derbyshire – the County Council, City Council and eight District and Borough Councils – working together to identify shared priorities and outcomes and agree to strategically collaborate on the improvement of outcomes for people and places, to speak with one voice as a county and to coordinate resources better and more sustainably.

The programme has been driven forward and involved a significant investment of time, hard work and goodwill from participating councils and their leaders and executive officers. Phase 2 subsequently resulted in the development of an approach to non-structural reform – Vision Derbyshire – and the development of a case for change and proposition to Government focused around four key ambitions, as follows:

- Seize innovation – pioneering skills and technologies for a sustainable future economy.
- Establish relentless ambition – creating opportunities for everyone in Derbyshire and making these visible.
- Build proactive communities – harnessing the energy in Derbyshire's communities and empowering people to make change.
- Live and work sustainably – committing to a zero-carbon footprint in our tourism, wider economy, and ways of working.

The approach also identified a number of enablers to support and embed collaboration, such as leadership, culture, technology, workforce, customers, assets and estimated possible organisational and wider system benefits, that could be achieved.

Phase 3 focused on the implementation of the approach, through the development of an accelerated delivery programme and the development of new governance arrangements.

Phase 4, which launched in September 2021, has sought to progress implementation. New formal governance arrangements have been agreed, with the first meeting of the Vision Derbyshire Joint Committee taking place in April 2022. Work is now underway to establish a new programme team, which will support the delivery of the approach and support work to Level Up through the development of a County Deal for Derbyshire and Derby which will seek to maximise resources into the county.

Delivering Devolution and Levelling Up

The Council's aspirations for Derbyshire remain strong. Moving forward the Council will be working with partners to deliver devolution as one of the nine early County Deal pathfinder areas, ensuring the Council harnesses all the benefits that a devolution deal for Derbyshire could provide. This includes delivering the Levelling Up agenda across the county, to help boost economic performance and investment, and improve opportunities and outcomes for people and places. Working alongside partners, the Council aims to tackle inequalities and social mobility, to ensure support and opportunities are available to all, building a fairer, more inclusive future for the county.

Mark Kenyon BA(Hons) FCPFA
Director of Finance & ICT (Section 151 Officer)

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities
The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its Officers has the responsibility for the administration of those affairs. In this Council, that Officer is the Director of Finance & ICT, as Section 151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Section 151 Officer's Responsibilities
The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts, in accordance with the appropriate CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). In preparing this Statement of Accounts, the Section 151 Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the Code and the Regulations;
- kept proper accounting records which were up-to-date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- ensured that events after the balance sheet date have been considered;
- assessed the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Council will continue in operational existence for the foreseeable future; and
- maintained such internal control as determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUTHORISATION OF ACCOUNTS FOR ISSUE

Certificate of Section 151 Officer
I certify that the accounts give a true and fair view of the financial position of the Council at 31 March 2022 and of its income and expenditure for the year then ended.

Mark Kenyon BA(Hons) FCPFA
Director of Finance & ICT (Section 151 Officer)
[ ] 2023

The Statement of Accounts were approved by the Audit Committee on [ ] 2023.

Councillor Gary Musson
Chair of the Audit Committee

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		Note	2019-20			2020-21			2021-22		
			Restated Gross Exp £m	Restated Gross Inc £m	Restated Net Exp £m	Restated Gross Exp £m	Restated Gross Inc £m	Restated Net Exp £m	Gross Exp £m	Gross Inc £m	Net Exp £m
A	Adult Care		401.605	(127.261)	274.344	452.673	(163.319)	289.354	492.836	(168.304)	324.532
B	Children's Services and Safeguarding and Education		668.912	(444.324)	224.588	636.164	(442.190)	193.974	690.327	(457.847)	232.480
C	Clean Growth and Regeneration		6.670	(0.519)	6.151	2.553	(0.596)	1.957	3.911	(1.066)	2.845
D	Corporate Services and Budget		29.295	(24.647)	4.648	39.329	(25.096)	14.233	51.898	(24.508)	27.390
E	Health and Communities		55.147	(45.062)	10.085	60.408	(54.275)	6.133	69.614	(57.303)	12.311
F	Highways Assets and Transport		69.717	(14.491)	55.226	72.300	(16.355)	55.945	76.401	(17.366)	59.035
G	Infrastructure and Environment		58.203	(6.489)	51.714	59.803	(6.100)	53.703	56.842	(9.836)	47.006
H	Strategic Leadership, Culture, Tourism and Climate Change		13.712	(1.276)	12.436	13.525	(1.423)	12.102	13.838	(0.981)	12.857
A-H	**Net Cost of Services**		**1,303.261**	**(664.069)**	**639.192**	**1,336.755**	**(709.354)**	**627.401**	**1,455.667**	**(737.211)**	**718.456**
I	Other Operating Expenditure	6			174.670			146.810			62.511
J	Financing and Investment Income and Expenditure	7			47.885			20.567			26.136
K	Taxation and Non-Specific Grants	8			(559.115)			(699.990)			(637.662)
A-K	**Deficit on Provision of Services**				**302.632**			**94.788**			**169.441**

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	Items that will not be Reclassified to Deficit on Provision of Services				
L	Gain on Revaluation of Non-Current Assets	14	(82.752)	(83.020)	(174.608)
M	Loss on Revaluation of Non-Current Assets	14	33.966	73.431	51.836
N	Remeasurement of Net Pension Liability/ (Asset)	48	(350.276)	336.554	(304.953)
L-N	**Other Comprehensive Expenditure/ (Income)**		**(399.062)**	**326.965**	**(427.725)**
A-N	**Total Comprehensive Expenditure/ (Income)**		**(96.430)**	**421.753**	**(258.284)**

The accompanying notes form an integral part of the financial statements.

The Derbyshire Pension Fund (Fund) Actuary has re-issued IAS 19 accounting reports, which the Council had previously relied upon to prepare its financial statements, for the years ended 31 March 2020 and 31 March 2021. Accordingly, these financial statements include restatement of the prior year affected amounts. Full details of the impact of these restatements on the financial statements are given in Note 4.

Following a restructure of portfolios in May 2021, the Council reports through eight operating segments, referenced A-H above. Prior year income and expenditure amounts within Net Cost of Services include reanalysis to provide comparability with 2021-22 amounts reported under these revised operating segments. Prior year total portfolio income, expenditure and Net Cost of Services remain unchanged from the audited prior year financial statements in respect of this revision.

BALANCE SHEET

Restated 31 Mar 2020 £m	Restated 31 Mar 2021 £m		Note	31 Mar 2022 £m
1,752.894	1,623.077	Property Plant & Equipment	14	1,696.788
49.570	47.872	Heritage Assets	15	63.423
1.529	1.160	Intangible Assets	18	0.714
85.933	122.307	Non-Current Investments	21	98.295
0.169	0.242	Non-Current Debtors	20	0.231
1,890.095	**1,794.658**	**Total Non-Current Assets**		**1,859.451**
81.805	161.148	Current Investments	21	251.812
2.341	2.896	Assets Held for Sale	19	2.396
1.977	1.588	Inventories	22	1.458
76.133	82.164	Current Debtors	23	90.384
74.159	71.657	Cash and Cash Equivalents	24	46.230
236.415	**319.453**	**Total Current Assets**		**392.280**
(59.007)	(90.058)	Current Loans and Borrowing	21	(136.868)
(142.737)	(153.623)	Current Creditors	25	(197.656)
0.000	(6.400)	Current Provisions	26	(6.146)
(201.744)	**(250.081)**	**Total Current Liabilities**		**(340.670)**
(242.566)	(243.715)	Non-Current Borrowing	21	(250.645)
(12.232)	(9.120)	Non-Current Provisions	26	(8.362)
(656.982)	(1,024.523)	Non-Current Pensions Liabilities	27	(811.883)
(64.394)	(59.832)	Other Non-Current Liabilities	27	(55.045)
(976.174)	**(1,337.190)**	**Total Non-Current Liabilities**		**(1,125.935)**
948.592	**526.840**	**NET ASSETS**		**785.126**
331.648	420.353	Usable Reserves	13	412.237
616.944	106.487	Unusable Reserves	30	372.889
948.592	**526.840**	**TOTAL RESERVES**		**785.126**

The accompanying notes form an integral part of the financial statements.

The Derbyshire Pension Fund (Fund) Actuary has re-issued IAS 19 accounting reports, which the Council had previously relied upon to prepare its financial statements, for the years ended 31 March 2020 and 31 March 2021. Accordingly, these financial statements include restatement of the prior year affected amounts. Full details of the impact of these restatements on the financial statements are given in Note 4.

I certify that the Balance Sheet position gives a true and fair view of the financial position of Derbyshire County Council as at 31 March 2022.

Mark Kenyon BA(Hons) FCPFA
Director of Finance & ICT (Section 151 Officer)

Restated 2020-21 £m		Note	2021-22 £m
(94.788)	**Net Surplus or (Deficit) on the Provision of Services**		**(169.443)**
97.346	Adjustments for non cash movements	43	179.201
56.771	Adjustments for investing activities	43	41.290
	Net cashflow from:		
59.329	**Operating Activities**	**42**	**51.048**
(88.426)	Investing Activities	40	(124.410)
26.598	Financing Activities	41	47.935
(2.499)	**Movement in Cash & Cash Equivalents**		**(25.427)**
74.156	Cash & Cash Equivalents at the start of the year	24	71.657
71.657	**Cash & Cash Equivalents at the end of the year**	**24**	**46.230**

The accompanying notes form an integral part of the financial statements.

The Derbyshire Pension Fund (Fund) Actuary has re-issued IAS 19 accounting reports, which the Council had previously relied upon to prepare its financial statements, for the years ended 31 March 2020 and 31 March 2021. Accordingly, these financial statements include restatement of the prior year affected amounts. Full details of the impact of these restatements on the financial statements are given in Note 4.

MOVEMENT IN RESERVES STATEMENT

	Note	Restated General Reserve	Earmarked Reserves	Unapplied Capital Grants	Capital Receipts Reserve	RESTATED TOTAL USABLE RESERVES	Restated Unusable Reserves	Restated Total Council Reserves
		£m	£m	£m	£m	£m	£m	£m
2021-22								
Restated Balance at 31 March 2021		**(77.665)**	**(260.503)**	**(73.533)**	**(8.653)**	**(420.352)**	**(106.490)**	**(526.841)**
Movement in reserves during 2021-22								
Total Comprehensive Income and Expenditure	CIES	**169.443**	**0.000**	**0.000**	**0.000**	**169.443**	**(427.725)**	**(258.282)**
Adjustments between accounting basis and funding basis under regulations	13	(175.113)	0.000	14.851	(1.062)	(161.324)	161.324	0.000
Net Transfer to Reserves		22.830	(22.830)	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in 2021-22		17.160	(22.830)	14.851	(1.062)	8.119	(266.401)	(258.282)
Balance at 31 March 2022 carried forward		**(60.505)**	**(283.333)**	**(58.682)**	**(9.715)**	**(412.233)**	**(372.891)**	**(785.123)**
Restated 2020-21								
Restated Balance at 31 March 2020		**(53.547)**	**(229.135)**	**(41.552)**	**(7.415)**	**(331.647)**	**(616.946)**	**(948.592)**
Restated Movement in reserves during 2020-21								
Restated Total Comprehensive Income and Expenditure	CIES	**94.786**	**0.000**	**0.000**	**0.000**	**94.786**	**326.965**	**421.751**
Restated Adjustments between accounting basis and funding basis under regulations	13	(150.272)	0.000	(31.981)	(1.238)	(183.491)	183.491	0.000
Net Transfer to Reserves		31.368	(31.368)	0.000	0.000	0.000	0.000	0.000
Restated (Increase)/Decrease in 2020-21		(24.118)	(31.368)	(31.981)	(1.238)	(88.705)	510.456	421.751
Restated Balance at 31 March 2021 carried forward		**(77.665)**	**(260.503)**	**(73.533)**	**(8.653)**	**(420.352)**	**(106.490)**	**(526.841)**

MOVEMENT IN RESERVES STATEMENT

	Note	Restated General Reserve	Earmarked Reserves	Unapplied Capital Grants	Capital Receipts Reserve	RESTATED TOTAL USABLE RESERVES	Restated Unusable Reserves	Restated Total Council Reserves
		£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Restated 2019-20								
Balance at 31 March 2019		**(64.570)**	**(233.445)**	**(56.285)**	**(12.433)**	**(366.731)**	**(485.432)**	**(852.162)**
Restated Movement in reserves during 2019-20								
Restated Total Comprehensive Income and Expenditure	CIES	**302.632**	**0.000**	**0.000**	**0.000**	**302.632**	**(399.062)**	**(96.430)**
Adjustments between accounting basis and funding basis under regulations	13	(287.299)	0.000	14.733	5.018	(267.548)	267.548	0.000
Net Transfer to Reserves		(4.310)	4.310	0.000	0.000	0.000	0.000	0.000
Restated (Increase)/Decrease in 2019-20		11.023	4.310	14.733	5.018	35.084	(131.514)	(96.430)
Restated Balance at 31 March 2020 carried forward		**(53.547)**	**(229.135)**	**(41.552)**	**(7.415)**	**(331.647)**	**(616.946)**	**(948.592)**

The accompanying notes form an integral part of the financial statements.

The Derbyshire Pension Fund (Fund) Actuary has re-issued IAS 19 accounting reports, which the Council had previously relied upon to prepare its financial statements, for the years ended 31 March 2020 and 31 March 2021. Accordingly, these financial statements include restatement of the prior year affected amounts. Full details of the impact of these restatements on the financial statements are given in Note 4.

The values held within the proceeding Notes to the Accounts may vary slightly when compared to the main Statements or other notes. This is due to amounts being rounded. It is not expected that a difference would be in excess of £5,000 in any single case.

ACCOUNTING POLICIES

The Accounting Policies for the Council have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting (the Code). Where there is no specific guidance in the Code, the Council has developed its own Accounting Policy which is aimed at creating information which is:

- relevant to the decision making needs of users; and
- reliable, in that the financial statements:
    - represent fairly the financial position, financial performance and cash flows of the entity;
    - reflect the economic substance of transactions, other events and conditions and not merely the legal form;
    - are neutral i.e. free from bias;
    - are prudent; and
    - are complete in all material respects.

The Policies outline how the Council will account for all income, expenditure, assets and liabilities held and incurred during the 2021-22 financial year.

The Accounting Policies of the Council are updated annually to reflect any changes in IFRS, including changes in International Public Sector Accounting Standards (IPSAS), HM Treasury guidance, CIPFA guidance or any other change in statute, guidance or framework impacting on the Council's accounts.

The Accounting Policies of the Council, as far as possible, have been developed to ensure that the accounts of the Council are understandable, relevant, free from material error or misstatement, reliable and comparable.

CRITICAL JUDGEMENTS WHEN APPLYING THE ACCOUNTING STANDARDS

New Waste Treatment Facility

The Council and Derby City Council entered into an Inter Authority Agreement (IAA) on 20 August 2014 in relation to the operation and management of a Public Private Partnership (PPP) contract with Resource Recovery Solutions (Derbyshire) Limited (RRS) for the construction of a New Waste Treatment Facility (NWTF) in Sinfin and the provision of associated services. The facility was due to open in 2017, however, RRS was not able to resolve ongoing issues at the plant to allow it to pass the certified performance tests needed to bring it into operation. The contract with RRS was terminated on 2 August 2019, following the issuing of a legal notice by the banks funding the project.

The Council and Derby City Council entered a second Inter Authority Agreement (IAA) on 10 December 2020 to cover the period of the contract with Renewi UK Services Ltd. As with the previous IAA, this establishes that each council is represented on a board set up to oversee and implement the delivery of the project and has 50:50 voting rights, the councils collectively are considered to have power over the relevant activities and hence have control collectively. The relevant activities are the long term running of waste disposal for the councils. As decisions about the relevant activities will require the unanimous consent of both parties, the arrangement is considered to meet the definition of a joint arrangement. As the proposed arrangement is not structured as a separate entity it is classified as a joint operation and each council will recognise its share of the arrangement's assets, liabilities, income and expenditure.

The Council has considered the accounting treatment for the NWTF and it has been determined that it will be recognised on the balance sheet at 31 March 2022 as an Asset under Construction due to the asset not yet having been brought into service.

ACCOUNTING STANDARDS ISSUED AND NOT YET APPLIED

At the balance sheet date, the following interpretations, new standards and amendments to existing standards have been published but not yet adopted by the Code:

- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes the following changed standards:
    - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS.
    - IAS 37 (Onerous contracts) – clarifies the intention of the standard.
    - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

  None of the matters covered in the annual improvements are dealt with in detail in the 2022-23 Code. During the consultation process on the 2022-23 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements. The Council has concluded that these amendments would not have impacted on the Council's 2021-22 accounts.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16). The Council has concluded that these amendments would not have impacted on the Council's 2021-22 accounts.

IFRS 16 (Leases) is not included in the list above because the Council does not currently envisage early adoption in 2022-23.

PRIOR PERIOD ADJUSTMENTS

During 2021-22, the Actuary for the Derbyshire Pension Fund (Fund) advised the Council that it had identified an error in its allocation of Fund assets in the 2019 actuarial valuation of the Fund, affecting the Council and Derby City Council (Derby City).

The Actuary has identified that in its 2019 Fund actuarial valuation it had not applied all the required adjustments to reflect the agreed split of responsibility for the Council's deferred and pensioner members' benefits following the 1997 Local Government Reorganisation.

Overall Fund assets in the 2019 Fund actuarial valuation are as the Actuary intended but the split of assets is incorrect between the Council and Derby City, with the assets of the Council being understated, and the assets of Derby City being overstated by the same amount. In monetary terms, the amount that the Council's assets are understated in the 2019 Fund actuarial valuation is £52m, equivalent to 2.5% of the Council's overall asset value in the Fund at the 2019 valuation.

The misstatements have a material impact on the Council's CIES, Balance Sheet and Movement in Reserves Statement for 2019-20 and 2020-21 and on the Cash Flow Statement for 2020-21. The Council has therefore, in line with the CIPFA Code of Accounting Practice requirements, presented a CIES and Balance Sheet which reflect the required material retrospective restatements. Full details of the impact of these restatements are given below.

Effect on Financial Statements

To correct the previously reported understated position of its share of Local Government Pension Scheme (LGPS) Fund assets in the Actuary's IAS 19 reports, the Council has restated the prior year information for the £49.342m understated position of its share of LGPS Fund assets in the Actuary's 2019-20 IAS 19 report and the £59.658m understated position of its share of LGPS Fund assets in the Actuary's 2020-21 IAS 19 report.

The following demonstrates the effects on the following line items in the CIES for the financial years 2019-20 and 2020-21. The CIES with the appropriate restatements for 2019-20 and 2020-21 can be found on pages 33 and 34 of these financial statements.

Effect on Line Items in the CIES 2019-20

			Originally Stated 2019-20 Net Exp £m	Restated 2019-20 Net Exp £m	Amount of Restatement £m
	Items that will not be Reclassified to Deficit on Provision of Services				
N	Remeasurement of Net Pension (Asset)	48	(300.934)	(350.276)	49.342
L-N	**Other Comprehensive (Income)**		**(349.720)**	**(399.062)**	**49.342**
A-N	**Total Comprehensive (Income)**		**(47.088)**	**(96.430)**	**49.342**

Effect on Line Items in the CIES 2020-21

			Originally Stated 2020-21 Net Exp £m	Restated 2020-21 Net Exp £m	Amount of Restatement £m
J	Financing and Investment Income and Expenditure	7	21.701	20.567	1.134
A-K	**Deficit on Provision of Services**		**95.922**	**94.788**	**1.134**
	Items that will not be Reclassified to Deficit on Provision of Services				
N	Remeasurement of Net Pension Liability	48	345.736	336.554	9.182
L-N	**Other Comprehensive Expenditure**		**336.147**	**326.965**	**9.182**
A-N	**Total Comprehensive Expenditure**		**432.069**	**421.753**	**10.316**

The CIPFA Code requires that an authority presents a balance sheet at the beginning of the preceding period when an authority makes a retrospective restatement. However, in this case the prior period errors did not impact on the opening balance sheet for 2019-20. The error initially took place at the 31 March 2020 year-end. At 31 March 2020, the non-current liabilities balance was overstated by £49.342m. At 31 March 2021, the non-current liabilities balance was overstated by £59.658m.

The following demonstrates the effects on the following line items in the Balance Sheet for the financial years ended 31 March 2020 and 31 March 2021. The restated (for the relevant line items) prior period Balance Sheets are provided, along with the current year information, on page 35 of the financial statements.

Effect on Line Items in the Balance Sheet 31 March 2020

	Note	Originally Stated 31 Mar 2020 £m	Restated 31 Mar 2020 £m	Amount of Restatement £m
Pensions Liabilities	27	(706.324)	(656.982)	49.342
Total Non-Current Liabilities		**(1,025.516)**	**(976.174)**	**49.342**
NET ASSETS		**899.250**	**948.592**	**49.342**
Unusable Reserves	30	567.602	616.944	49.342
TOTAL RESERVES		**899.250**	**948.592**	**49.342**

Effect on Line Items in the Balance Sheet 31 March 2021

	Note	Originally Stated 31 Mar 2021 £m	Restated 31 Mar 2021 £m	Amount of Restatement £m
Pensions Liabilities	27	(1,084.181)	(1,024.523)	59.658
Total Non-Current Liabilities		**(1,396.848)**	**(1,337.190)**	**59.658**
NET ASSETS		**467.182**	**526.840**	**59.658**
Unusable Reserves	30	46.829	106.487	59.658
TOTAL RESERVES		**467.182**	**526.840**	**59.658**

The following restatement is required for the Cash Flow Statement in 2020-21. The restated (for the relevant line items) prior period Cash Flow Statement is provided, with the current year information, on page 36 of the financial statements.

Effect on Line Items in the Cash Flow Statement 2020-21

	Note	Originally Stated 2020-21 £m	Restated 2020-21 £m	Amount of Restatement £m
Net Surplus or (Deficit) on the Provision of Services		**(95.920)**	**(94.788)**	**(1.132)**
Adjustments for non cash movements	43	98.478	97.346	1.132

The following restatements are also required for the Movement in Reserves Statements for Unusable Reserves in 2019-20 and 2020-21 and for the General Reserve in 2020-21. The restated (for the relevant line items) prior period Movement in Reserves Statements are provided, with the current year information, on pages 37 and 38 of the financial statements.

Effect on Movement in Reserves Statement – Unusable Reserves 2019-20

	Note	Originally Stated Unusable Reserves £m	Restated Unusable Reserves £m	Amount of Restatement £m
2019-20				
Balance at 31 March 2019		**(485.432)**	**(485.432)**	**0.000**
Movement in reserves during 2019-20				
Total Comprehensive Income and Expenditure	CIES	**(349.720)**	**(399.062)**	**49.342**
Adjustments between accounting basis and funding basis under regulations	13	267.548	267.548	0.000
Net Transfer to Reserves		0.000	0.000	0.000
(Increase)/Decrease in 2019-20		(82.172)	(131.514)	49.342
Balance at 31 March 2020 carried forward		**(567.604)**	**(616.946)**	**49.342**

Effect on Movement in Reserves Statement – Unusable Reserves 2020-21

	Note	Originally Stated Unusable Reserves	Restated Unusable Reserves	Amount of Restatement
		£m	£m	£m
2020-21				
Balance at 31 March 2020		**(567.604)**	**(616.946)**	**49.342**
Movement in reserves during 2020-21				
Total Comprehensive Income and Expenditure	CIES	**336.147**	**326.965**	**9.182**
Adjustments between accounting basis and funding basis under regulations	13	184.625	183.491	1.134
Net Transfer to Reserves		0.000	0.000	0.000
(Increase)/Decrease in 2020-21		520.772	510.456	10.316
Balance at 31 March 2021 carried forward		**(46.832)**	**(106.490)**	**59.658**

Effect on Movement in Reserves Statement – General Reserve 2020-21

	Note	Originally Stated General Reserve	Restated General Reserve	Amount of Restatement
		£m	£m	£m
2020-21				
Balance at 31 March 2020		**(53.547)**	**(53.547)**	**0.000**
Movement in reserves during 2020-21				
Total Comprehensive Income and Expenditure	CIES	**95.920**	**94.786**	**1.134**
Adjustments between accounting basis and funding basis under regulations	13	(151.406)	(150.272)	(1.134)
Net Transfer to Reserves		31.368	31.368	0.000
(Increase)/Decrease in 2020-21		(24.118)	(24.118)	0.000
Balance at 31 March 2021 carried forward		**(77.665)**	**(77.665)**	**0.000**

Effect on Notes to the Financial Statements

The 2019-20 and 2020-21 LGPS disclosures in Note 48 are restated where relevant, as are Notes 7, 9, 10, 13, 27, 30 and 43.

ASSUMPTIONS MADE AND OTHER ESTIMATION UNCERTAINTY

Property Plant and Equipment Valuation
When determining current value for the measurement and disclosure requirements in relation to the Council's Property, Plant and Equipment assets, the Council makes assumptions and estimations. Where direct observable market data is unavailable, judgement is required in order to determine a fair value and the Council uses relevant experts to ensure that appropriate valuation techniques are used. Typically, judgements include considerations such as uncertainty and risk.

The method of valuation of the Council's portfolio of schools is the Depreciated Replacement Cost method, using a Modern Equivalent Asset (MEA). Where the build requirement is greater than the actual asset, the valuation is restricted to the actual size of the current asset.

Land and Buildings assets measured at current value are revalued on a five-year rolling basis by the Council's internal team of valuers. Each property is assessed on its own merits and the valuation is determined with due regard to any change or uncertainties which may affect the specific property. It is estimated that a theoretical 1% market drop applied across all properties valued in 2021-22 would equate to an impairment variation of £0.013m, which would be expensed through the surplus/deficit on the provision of services, whilst a 1% increase would equate to a rise in valuations of £11.673m to the revaluation reserve.

In line with last year, and due to Covid-19 impacts already felt on the supply chain, along with the uncertainty regarding rising inflation and the war in Ukraine, the Council has continued to review its 20% rolling programme asset base at 31 March 2022, instead of 1 April 2021, updating land values and gross replacement costs. Again, schools MEA adjustments have also been reviewed in the same manner, with material changes being valued as at the date of change, but again reviewed at 31 March 2022. The remaining assets measured at current value, which had not been revalued in this way, were then reviewed, and a further top twenty assets by value were the subject of a desktop exercise, to provide assurances that the remaining assets were not materiality misstated due to these factors.

Britain leaving the European Union
Uncertainty around the implementation of the 2016 Brexit referendum result has caused volatility in asset prices and hence also bond yields over the last few years. The United Kingdom left the European Union on 31 January 2020, and the transition period ended on 31 December 2020. Whilst the Trade and Co-Operation Agreement (TCA) between the United Kingdom and European Union allows tariff and quota-free trade between countries, it does not cover services, which are a significant component of the United Kingdom's economy.

The level of uncertainty around the impact of Britain leaving the European Union has reduced, albeit there is a risk that future Brexit developments, including any action taken in respect of the Northern Ireland Protocol and the resultant impact on the Trade and Co-Operation Agreement, could cause further volatility in asset prices and bond yields. However, pronouncements from the US Federal Reserve on the future direction of US interest rates and global developments with respect to the Covid-19 pandemic, together with global politics in general, have the potential to cause similar levels of volatility in asset prices and bond yields and to materially impact future actuarial assumptions. The Council has engaged Hymans Robertson LLP as its Consulting Actuary to provide expert advice about the assumptions to be applied. The effect of changes in these estimates on the net pension liability of the Council are reviewed on an ongoing basis and are considered below.

Defined Benefit Pension Scheme Liabilities

Estimation of the net liability to pay pensions depends on several complex judgements relating to: the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund investments. The Council has engaged Hymans Robertson LLP as its Consulting Actuary to provide expert advice about the assumptions to be applied.

The effect of changes in these estimates on the net pension liability of the Council are reviewed on an ongoing basis. Variations in the key assumptions will have the following impact on the net liability:

- A 0.1% decrease in the real discount rate will increase the net pension liability by £60.469m (2% increase in liability).
- A one year increase in Fund Member life expectancy will increase the net pension liability by £132.836m (4% increase in liability).
- A 0.1% increase in the assumed level of salary increases will increase the net pension liability by £7.674m (0% (rounded) increase in liability).
- A 0.1% increase in the assumed level of pension increases will increase the net pension liability by £52.283m (2% increase in liability).

Defined Benefit Pension Scheme Investment Assets

On 24 February 2022, Russia invaded Ukraine. The invasion drew widespread condemnation and led to globally coordinated financial sanctions against the Russian economy, the President of Russia and other associated individuals and organisations. The assets of the Russian central bank were frozen and Russian banks were removed from the SWIFT international payment system. The Russian domestic stock exchange was initially closed, and whilst it has subsequently reopened, global sanctions severely limit the ability of investors to trade Russian securities.

The Pension Fund had around £12m invested in Russian companies prior to the start of the invasion, which is 0.2% of the Fund's total investment assets. In March 2022, both MSCI and FTSE Russell (the main index providers used by the Fund's investment managers) announced that they were deleting Russian securities from their indices. As a result, the Fund's Russian investments were fully written down to zero at 31 March 2022, which means that they have no value assigned in arriving at the net pension liability of the Council at 31 March 2022, albeit the investment vehicles in which these securities are held continue to own these securities at that date because the sanctions restrictions severely limit the ability to sell these securities at present. Whilst the remainder of the Fund's investment assets may indirectly be exposed to the impact of the conflict between Russia and Ukraine, this has either been reflected in the Fund investment valuation which is used in the calculation of the Council's net pension liability at 31 March 2022, or the impact is not considered material.

Impact of McCloud Judgement

When the LGPS benefit structure was reformed in 2014, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2014 by these members are subject to an 'underpin' which means that they cannot be lower than they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme, by effectively giving them the better of the benefits from the old and new schemes.

In December 2018, the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The UK Government requested leave to appeal to the Supreme Court, but this was denied at the end of June 2019. In July 2019, the Chief Secretary to the Treasury confirmed that the principles of the outcome would be accepted as applying to all public service schemes.

The Government has consulted on its proposed remedy for the LGPS, which involves the extension of the current underpin protection to all members who meet the criteria for protection, regardless of their age in 2012. It is proposed that underpin protection will apply where a member leaves with either a deferred or an immediate entitlement to a pension. The underpin would give the member the better of the 2014 Scheme CARE or 2008 final salary benefits for the eligible period of service. The protection is expected to be extended to qualifying members who have left the scheme since April 2014, as well as to active members. The remedy is expected to result in a retrospective increase in benefits for some members, which in turn would give rise to a past service cost for the Fund's employers. The Government's response to the consultation and confirmation of the remedy is still awaited.

Quantifying the impact of the McCloud judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases, in particular, can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression.

The Fund's Actuary made no estimated allowance for the McCloud judgement in its 2019 actuarial valuation, following instruction from the LGPS Scheme Advisory Board to value liabilities in the 31 March 2019 funding valuations in line with the current LGPS Regulations benefit structure, but made an adjustment to its 2019-20 accounting roll-forward calculation. This adjustment estimated the liabilities for McCloud at 31 March 2020 from the 2019 valuation data, to ensure that the impact continued to be included within the Council's balance sheet at 31 March 2020 (in line with the 2019 accounting approach). The impact of this adjustment was included with other remeasurement of the net pension liability in Other Comprehensive Income and Expenditure in the Comprehensive Income and Expenditure Statement.

At 31 March 2020, the Fund's Actuary estimated that for the Fund, total liabilities (i.e. the increase in active members' liabilities expressed in terms of the employer's total membership) could have been around 0.5% higher as at 31 March 2020, an increase of approximately £31.1m for the Fund as a whole.

An amendment in the Public Services Pensions and Judicial Offices Act 2022, which received Royal Assent in March 2022, and which is the enabling legislation for the implementation of the McCloud remedy, has subsequently increased the number of members included in the scope of the remedy.

At 31 March 2021, the Fund's Actuary has made no explicit additional adjustment for McCloud and has not added to the current service cost for 2021-22, or the projected service cost for 2022-23. However, the previous allowance within the balance sheet has been rolled forward and therefore is included within the closing position at 31 March 2022.

These numbers are high level estimates based on scheme level calculations and depend on several key assumptions.

The impact on employers' funding arrangements will likely be dampened by the funding arrangements they have in place. However, if the judgement is upheld then there will be unavoidable upward pressure on contributions in future years.

Indexation, Equalisation and Historical Transfers of Guaranteed Minimum Pensions (GMP)

Guaranteed Minimum Pension (GMP) was accrued by members of the LGPS between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women. However, overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension. The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men and women's benefits.

As an interim solution to avoid this problem, GMP rules were changed so that the responsibility for ensuring GMPs kept pace with inflation passed in full to pension schemes themselves for members reaching state pension age between 6 April 2016 and 5 April 2021. Thereafter the Government's preferred approach is to convert GMP to scheme pension. This new responsibility leads to increased costs for schemes (including the LGPS) and hence scheme employers.

The impact on Fund and employer liability values will depend on how many members reaching State Pension Age after 2016 have GMP benefits. For the Fund's 2019 actuarial valuation, given the Government's preference for conversion to scheme benefits, the Actuary has assumed that all increases on GMPs for members reaching State Pension Age after 6 April 2016 will be paid for by LGPS employers (known as a full GMP indexation allowance). The rolled forward position to 31 March 2022 therefore includes this allowance.

In 2020-21 the High Court ruled that pension schemes will need to revisit individual transfer payments made since 17 May 1990, to check if any additional value is due as a result of GMP equalisation. The judgment helps to clarify the position for members who transferred in GMPs from other schemes. It adds a further category of members whose position must be resolved. The Fund's Actuary is of the view that, in general, the historic individual member data required to assess such an impact, at employer level, is not readily available, although it understands that this further ruling is unlikely to be significant in terms of its impact on the pension obligations of a typical employer. As a result, the Fund Actuary has not made any allowance for the ruling on individual transfers in respect of GMP equalisation within its rolled forward position to 31 March 2022.

Financial Instruments Fair Value Estimates
The fair value of the Council's Lender Option Borrower Option (LOBO) loan and other long-term loans of £19.494m (£15.000m nominal) has been determined incorporating option pricing from Bloomberg. The fair value of all short-term investments (under one year) has been assumed to be their nominal value.

The impact of a 1% interest rate rise on the fair value of the Council's borrowing and investments at 31 March 2022 is a reduction of £46.174m in the net financial liability.

A loss allowance for financial assets has been recognised based on the gross value of trade debtors, excluding Central Government and other local authority debtors, which are more than 30 days past due and which have been, or are expected to be, referred for review, either by the Council's Legal Services department or under the Care Act (2014). A non-recovery rate based on the historical success rate of recovering such debt, once referred, along with a factor to reflect the prevailing economic conditions, is applied to the gross value of referred debt to determine the amount of the loss allowance. The factor for current market conditions was derived by comparing the expected default rate for 2022 with the historic default rate based on information collated by rating agency Moody's. A 1% decrease in the factor for current economic conditions would reduce the allowance for credit losses by £0.030m. A 1% decrease in the expected non-recovery rate would reduce the allowance for credit losses by £0.049m.

Business Rates
Calculations of the Council's business rates collection fund adjustments, involving estimates in relation to business rates arrears, allowance for doubtful debts, business rates overpayments and prepayments and provisions for appeals, have been subject to a greater degree of estimation since 2019-20, as some of Derbyshire's district and borough councils have been delayed in completing their estimation processes because of issues caused by the Covid-19 pandemic. Where business rates 2021-22 returns have not been received in sufficient time to allow reflection in the Council's financial statements, a combination of 2020-21 year-end and preliminary 2022-23 initial returns, finalised in January 2022, have been used to estimate the business rates collection fund adjustment. The business rates collection fund adjustment in the Council's accounts for 2021-22 is £3.938m, a 20% change in the estimated net position could increase the Council's financial liability by approximately £0.788m.

Local authorities are liable for an element of any successful appeal against business rates charged to businesses in 2021-22 and earlier years. The billing authorities make provisions to recognise their best estimate of the amount that businesses have been overcharged, for which the Council's proportionate share, approximately £3.049m, incorporating some of the estimates made above, has been reflected through the business rates collection fund adjustment account.

OTHER OPERATING EXPENDITURE

2020-21 £m		2021-22 £m
(0.823)	Trading Operations	(1.228)
0.339	Levies and Precepts	0.354
147.295	Loss on Disposal of Non-Current Assets	63.382
(0.001)	Other Income and Expenditure	0.003
146.810		**62.511**

The surplus for the year from commercial trading operations was achieved with a gross expenditure of £0.510m (2020-21: £0.763m) offset against income of £1.738m (2020-21: £1.586m).

Loss on disposal of non-current assets has reduced significantly in 2021-22 and the main reason for this is a decrease in the number of schools that converted to academies during the year (2021-22, 4; 2020-21, 15).

Movements on non-current assets, including disposals, are shown in Note 14.

1. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

Restated 2020-21 £m		2021-22 £m
17.858	Interest Payable	17.340
(3.426)	Interest Receivable	(2.188)
(2.720)	Dividends Receivable	(3.229)
(6.386)	Financial Asset Fair Value Losses/(Gains)	(5.292)
(0.062)	Financial Asset Impairment Losses/(Gains)	(1.667)
15.303	Net Pension Costs	21.172
20.567		**26.136**

The prior year restatement is explained at Note 4.

Movements in the fair value of the Council's investments in pooled investment funds were included in Financing and Investment Income and Expenditure (FIIE) in 2018-19 for the first time. These funds have been recognised and measured at Fair Value through Profit or Loss (FVPL) in accordance with IFRS 9 Financial Instruments. However, any gains or losses have been reversed out to the Financial Instruments Adjustment Account as required by the statutory temporary override that the Department for Levelling Up, Housing and Communities (DLUHC), formerly the Ministry of Housing, Communities and Local Government (MHCLG), has issued. The override is effective for financial years 2018-19 to 2022-23.

Gains and losses relating to the impairment of financial assets were included in 2018-19 for the first time. CIPFA guidance considers that conceptually debtors are a credit facility. Therefore, impairment losses from bad debts, gains or losses on the impairment of debt, or impairment of other investments held at amortised cost are a loss of principal and recognition in FIIE is therefore the default treatment.

Interest payable has been itemised in the table below.

2020-21 £m		2021-22 £m
13.630	Interest Payable on Capital Borrowing	13.549
3.187	Interest Payable on PFI	2.977
0.546	Interest Payable on Finance Leases	0.518
0.495	Interest Payable on Other Items	0.296
17.858		**17.340**

Interest receivable has been itemised in the table below.

2020-21 £m		2021-22 £m
(3.409)	Interest Receivable on Investments	(2.137)
(0.004)	Interest Receivable on Transferred Debt	(0.004)
(0.008)	Interest Receivable on Finance Leases	(0.014)
(0.002)	Interest Receivable on Cash & Bank Balances	(0.011)
(0.003)	Interest Receivable on Other Items	(0.022)
(3.426)		**(2.188)**

2. TAXATION AND NON-SPECIFIC GRANT INCOME

2020-21 £m		2021-22 £m
(336.089)	Council Tax	(353.949)
(13.738)	Revenue Support Grant	(13.813)
(15.315)	Business Rates	(18.289)
(94.892)	Business Rates Top-up	(94.892)
(7.185)	Business Rates Relief Grant	(15.365)
(10.504)	Private Finance Initiative Grant	(10.504)
(2.326)	New Homes Bonus	(1.549)
(113.848)	Other General Revenue Grants	(91.512)
(106.093)	Capital Grants	(37.789)
(699.990)		**(637.662)**

3. EXPENDITURE AND FUNDING ANALYSIS

2020-21				2021-22		
Restated Expenditure/ (Income) chargeable to General Reserve Balance £m	Restated Adjustments between funding and Accounting Basis £m	Restated Net Expenditure in the CIES £m		Expenditure/ (Income) chargeable to General Reserve Balance £m	Adjustments between funding and Accounting Basis £m	Net Expenditure in the CIES £m
272.951	(16.403)	289.354	Adult Care	286.345	(38.187)	324.532
139.753	(54.221)	193.974	Children's Services and Safeguarding and Education	160.699	(71.781)	232.480
1.016	(0.941)	1.957	Clean Growth and Regeneration	2.378	(0.467)	2.845
9.159	(5.074)	14.233	Corporate Services and Budget	9.392	(17.998)	27.390
5.039	(1.094)	6.133	Health and Communities	9.151	(3.160)	12.311
39.478	(16.467)	55.945	Highways Assets and Transport	38.821	(20.214)	59.035
52.029	(1.674)	53.703	Infrastructure and Environment	45.479	(1.527)	47.006
10.100	(2.002)	12.102	Strategic Leadership, Culture, Tourism and Climate Change	9.453	(3.404)	12.857
529.525	**(97.876)**	**627.401**	**Net Cost of Services**	**561.718**	**(156.738)**	**718.456**
(0.485)	(147.295)	146.810	Other operating expenditure	(0.871)	(63.382)	62.511
25.493	4.926	20.567	Financing and investment income and expenditure	28.183	2.047	26.136
(578.650)	121.340	(699.990)	Taxation and non-specific grant income and expenditure	(571.871)	65.791	(637.662)
(24.117)	**(118.905)**	**94.788**	**Deficit/(Surplus) on Provision of Services**	**17.159**	**(152.282)**	**169.441**
53.547			**Opening General Reserve Balance at 1 April**	**77.664**		
(24.117)			Add/(less) Surplus/(Deficit) on General Reserve	(17.159)		
77.664			**Closing General Reserve Balance at 31 March**	**60.505**		

The prior year restatements and reanalysis are explained at Note 4 / under the CIES.

Note to the Expenditure and Funding Analysis

2020-21					2021-22			
Restated Adjustments for capital purposes (Note a) £m	Restated Net Change for the Pensions Adjustments (Note b) £m	Other Differences (Note c) £m	Restated Total Adjustments £m		Adjustments for capital purposes (Note a) £m	Net Change for the Pensions Adjustments (Note b) £m	Other Differences (Note c) £m	Total Adjustments £m
(6.819)	(9.584)	0.000	(16.403)	Adult Care	(16.853)	(21.334)	0.000	(38.187)
(35.957)	(18.264)	0.000	(54.221)	Children's Services and Safeguarding and Education	(26.982)	(44.799)	0.000	(71.781)
(0.885)	(0.056)	0.000	(0.941)	Clean Growth and Regeneration	(0.282)	(0.185)	0.000	(0.467)
(4.762)	(0.312)	0.000	(5.074)	Corporate Services and Budget	(4.404)	(13.594)	0.000	(17.998)
(0.007)	(1.087)	0.000	(1.094)	Health and Communities	(0.009)	(3.151)	0.000	(3.160)
(14.352)	(2.115)	0.000	(16.467)	Highways Assets and Transport	(15.170)	(5.044)	0.000	(20.214)
(1.233)	(0.441)	0.000	(1.674)	Infrastructure and Environment	(0.468)	(1.059)	0.000	(1.527)
(1.013)	(0.989)	0.000	(2.002)	Strategic Leadership, Culture, Tourism and Climate Change	(1.050)	(2.354)	0.000	(3.404)
(65.028)	**(32.848)**	**0.000**	**(97.876)**	**Net Cost of Services**	**(65.218)**	**(91.520)**	**0.000**	**(156.738)**
(147.295)	0.000	0.000	(147.295)	Other Operating Expenditure	(63.382)	0.000	0.000	(63.382)
(1.714)	0.000	6.640	4.926	Financing and investment income and expenditure	(3.523)	0.000	5.570	2.047
106.093	0.000	15.247	121.340	Taxation and non-specific grant income and expenditure	37.789	0.000	28.002	65.791
(107.944)	**(32.848)**	**21.887**	**(118.905)**	**Deficit/(Surplus) on Provision of Services**	**(94.334)**	**(91.520)**	**33.572**	**(152.282)**

A – Adjustments for Capital Funding and Expenditure Purposes

Adjustment to General Reserve Balance to meet the requirements of generally accepted accounting practices, this column adds in depreciation and impairment and revaluation gains and losses in the service lines and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and Investment Income and Expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from financing and investment income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and Non-Specific Grant Income and Expenditure – Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants in the year without conditions or for which conditions were satisfied in the year.

B – Net change for the removal of pension contributions and the addition of pension IAS19 related expenditure and income

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as permitted by statute and the replacement with current service costs and past service costs.
- For Financing and Investment income and expenditure the net interest on the defined benefit liability is charged to the CIES.

C – Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and the amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to General Reserve for the timing differences for premiums and discounts and gains/losses on pooled funds measured at FVPL.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and business rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the district/borough council Collection Funds. It also represents the movement in the Earmarked Reserve balances.

4. EXPENDITURE AND INCOME ANALYSED BY NATURE

	Restated 2020-21 £m	2021-22 £m
Expenditure		
Employee expenses	560.698	627.979
Premises	29.626	35.961
Transport	27.620	30.234
Supplies and services	638.215	680.579
Capital depreciation, amortisation, impairment	80.597	80.916
Interest payments, loan modification, financial asset impairment and fair value changes	26.712	31.553
Precepts and levies	0.339	0.354
Trading operations	(0.823)	(1.228)
Loss on disposal of assets	147.295	63.382
Total Expenditure	**1,510.279**	**1,549.730**
Income		
Fees, charges and other service income	(191.667)	(210.805)
Interest and investment income	(6.146)	(5.417)
Income from Council Tax, business rates	(446.296)	(467.131)
Business rates relief grant	(7.185)	(15.365)
Government grants and contributions	(764.197)	(681.571)
Total Income	**(1,415.491)**	**(1,380.289)**
Deficit on the Provision of Services	**(94.788)**	**(169.441)**

The prior year restatement is explained at Note 4.

5. AGENCY ARRANGEMENTS

In 2020-21 the Council made payments to Funded Nursing Care (FNC) providers on behalf of the Clinical Commissioning Groups (CCGs). The cost of administering the service was fully funded by the CCGs. This FNC agency arrangement ended on 31 August 2020 and from that date the CCGs pay FNC providers directly.

2020-21 £m		2021-22 £m
4.981	Payments to Nursing Care Providers	0.000
(4.020)	Recharge to CCGs	0.000
(0.038)	Admin Charge to CCGs	0.000
0.923		**0.000**

6. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

County Council Controlled Companies
MEGZ Limited is a private company limited by 9,251 ordinary shares, all of which are held by the Council. There are three directors of the company who are Members of the Council; all have been appointed by the Council. There were no transactions with the company during the financial year (2020-21: £nil).

The Derbyshire Environmental Trust Limited is a company limited by guarantee with no share capital. Income transactions with this organisation in the year totalled £0.075m (2020-21: £0.075m). There were no expenditure transactions during the year (2020-21: £nil).

The Creswell Heritage Trust is a company limited by guarantee with no share capital. One of the directors of the Trust is a Member who was appointed by the Council. Income transactions with this organisation in the year totalled £0.006m (2020-21: £0.002m) and expenditure transactions totalled £0.007m (2020-21: £0.004m).

Scape Group Limited is a private limited company. The Council holds 75,000 of its £1 ordinary shares (17% share). The Council has one director on the company board who is an elected Member of the Council and was appointed by the Council. During 2021-22 the Council received dividends of £0.500m from Scape Group Limited (2020-21: £nil).

Derbyshire Developments Limited was a private company limited by one ordinary share of £1. There were three directors all appointed by the Council. The Council provided a start-up loan to the company to cover running costs such as staffing, accommodation, IT and audit, up until the point where income would recover these fixed costs of being "in business". In 2020-21, as part of plans to transform the delivery model of its property and estates management functions, the Council approved the wind-up of the company, and the company was dissolved on 29 September 2020. The balance of the Council's loan to Derbyshire Developments Limited was written off and the company's remaining assets of £0.013m in cash were recovered by the Council.

Joint Venture Companies
Vertas (Derbyshire) Limited (VDL) and Concertus (Derbyshire) Limited (CDL) are private limited companies in which the Council has a 49% stake, with the aim of providing cleaning and caretaking services and property design and consultancy, respectively. VDL and CDL are run as Joint Venture companies with the other shareholders being part of Suffolk Group Holdings Limited, whose ultimate parent undertaking and controlling party is Suffolk County Council. The Council has Board representation at VDL and CDL with two directors on the board of each company. Vertas Group Limited (Vertas) and Concertus Design and Property Consultants Limited (Concertus), subsidiary undertakings of Suffolk Group Holdings Limited, have day to day financial control of VDL and CDL, respectively. Financial Governance is maintained via the production of monthly Management Accounts information, which is supplied to Board members and to Finance Officers of the Council. VDL and CDL are assessable to Corporation Tax and VAT in accordance with current legislation. All taxation related matters of VDL and CDL, including Corporation Tax, VAT and Income Tax are managed by Vertas and Concertus. During 2021-22, income of £0.489m was receivable from VDL (2020-21: £0.206m), of which £0.077m was outstanding at 31 March 2022 (31 March 2021: £0.066m). During 2021-22, CDL income receivable was £0.052m (2020-21: £nil), of which £0.004m was outstanding at 31 March 2022 (31 March 2021: £nil). During 2021-22, expenditure of £7.600m was payable to VDL (2020-21: £7.484m) and £3.322m was payable to CDL (2020-21: £1.261m), there were no outstanding balances at 31 March 2022 (31 March 2021: £nil).

PSP (Derbyshire) LLP (PSPD) is a limited liability partnership (LLP) formed between the Council and PSP Facilitating Limited (PSPF), under the provisions of the Limited Liability Partnership Act 2000. The purpose of PSPD is to help the Council unlock value from its land and property. Decision making, ownership and profit share are 50/50 between the Council and PSPF. Financial Governance is maintained via a Members Agreement and a Procedure Agreement. All financial activities of PSPD are conducted by PSPF, including statutory compliance, audit, bank account management, VAT and other taxation matters, and all liaison with HMRC and other Government bodies. There were no transactions with the company during 2021-22 (2020-21: £nil).

Derbyco Project SPV Limited is a dormant private limited company with an issued share capital of 100 £0.01 ordinary shares, which was formed in respect of the treatment and disposal of non-hazardous waste. The shareholding is split 50/50 between the Council and Derby City Council. The Council has one director on the company board. There were no transactions with the company during the financial year (2020-21: £nil).

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other organisations. Grants received from Government departments are set out in the subjective analysis in Note 10. Grant receipts are also disclosed in Note 8 and Note 39.

Typical transactions with Central Government bodies include, but are not restricted to, investments, Pay As You Earn and National Insurance contributions paid and pension contributions paid. During 2021-22, income transactions excluding grants, totalled £13.757m (2020-21: £14.561m), of these, £13.348m were with academy schools (2020-21: £14.530m). During 2021-22, expenditure transactions totalled £283.936m (2020-21: £193.358m) and included the following significant transactions:

Inland Revenue	£98.531m (2020-21: £99.190m)
Debt Management Office	£95.000m (2020-21: £nil)
Teachers' Pensions	£42.545m (2020-21: £43.393m)
Public Works Loan Board	£11.598m (2020-21: £16.361m)

Other Local Authorities – typical transactions include, but are not restricted to, investments, borrowing, repayment of transferred debt, re-imbursement of joint project costs and supplies of goods and services. During 2021-22, income transactions totalled £38.679m (2020-21: £29.943m) and included significant transactions with Derby City Council totalling £26.268m (2020-21: £17.396m). During 2021-22, expenditure transactions totalled £38.945m excluding short term lending and repayment of borrowing with other local authorities (2020-21: £35.701m).

Health Bodies – typical transactions include, but are not restricted to, re-imbursement of joint project costs and supplies of goods and services. During 2021-22, income transactions with health bodies in the year totalled £93.076m (2020-21: £93.919m) and included significant transactions with NHS Derby and Derbyshire CCG of £88.773m (2020-21: £89.414m). Expenditure transactions totalled £31.319m (2020-21: £27.976m) and included transactions with Derbyshire Community Health Services NHS Foundation Trust of £21.169m (2020-21: £24.509m).

Members and Senior Officers – Council Members and Senior Officers have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2021-22 is shown in Note 32. During 2021-22, income transactions in which Members and/or Senior Officers had an interest totalled £94.463m (2020-21: £94.846m), of which £88.773m is in respect of NHS Derby and Derbyshire CCG (2020-21: £89.414m), which has the Council's Director of Public Health on its Governing Body as a local authority representative. During 2021-22, works and services to the value of £13.055m (2020-21: £10.612m), of which £7.600m is in respect of VDL (2020-21: £7.484m), were commissioned from companies in which Members and/or Senior Officers had an interest on behalf of the Council. There were no material outstanding balances at 31 March 2022 (31 March 2021: £nil). Contracts were entered into in full compliance with the Council's Standing Orders.

From May 2021, a Member was elected as Derbyshire's Police and Crime Commissioner. Up to May 2021, a Member served as the Deputy Police and Crime Commissioner for Derbyshire. During 2020-21 and 2021-22, twelve Members served as Council-appointed members of the Derbyshire Combined Fire Authority, and from May 2021 one of these members served as Chair. During 2020-21 and 2021-22, four Members served as Council-appointed members of the Peak District National Park Authority, one Member served as the Council's representative to Belper Leisure Centre Limited, a charitable company limited by guarantee, and one Member served as a Director on the D2N2 LEP, which is a company limited by guarantee.

Derbyshire Pension Fund – the Council is the administering authority for the Derbyshire Pension Fund (the Fund) under the Local Government Pension Scheme Regulations 2013.

Included in management expenses in 2021-22 are charges from the Council of £2.853m (2020-21: £2.888m), for expenses incurred in respect of oversight and governance of the Fund, for Fund administration and for management of the Fund's in-house investments. At 31 March 2022 the Fund owed the Council £4.453m (31 March 2021: the Fund owed the Council £4.169m).

It has not been possible to apportion, on a reasonable basis, the costs and benefits of key management personnel between the Council and the Fund. However, Members' Allowances and Officers' Remuneration are disclosed in Notes 32 and 33.

LGPS Central Limited – LGPS Central Limited (LGPSC) has been established to manage investment assets on behalf of eight LGPS funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPSC Pool, of which the Council, as the administering authority for the Fund, is one of the shareholders.

The Council's Section 151 Officer, or their nominee, represents the Council on the LGPS Central Shareholders' Forum, with delegated authority to make decisions on any matters which require a decision by the shareholders of LGPS Central Limited. All decisions made by the Section 151 Officer or their nominee, using delegated powers, are reported to the next meeting of the Pensions and Investments Committee.

The Fund had £1.315m invested in share capital and £0.685m in a loan to LGPSC at 31 March 2022 (31 March 2021: £1.315m and £0.685m, respectively) and was owed interest of £0.032m on the loan to LGPSC on the same date (2020-21: £0.031m).

The Fund incurred costs of £0.087m associated with LGPSC Investment Management and Monitoring Costs in respect of an Active Emerging Markets Equities Multi Manager sub-fund, an index-tracking All World Equity Climate Multi Factor sub-fund, an Active Global Investment Grade Corporate Bond sub-fund and a Credit Partnership Limited Partnership sub-fund (Private Debt) in 2021-22 (2020-21: £0.013m), of which £0.023m was payable to LGPSC at 31 March 2022 (31 March 2021: £0.005m). The charge excludes fees paid to the underlying investment managers of £0.990m in 2021-22 (2020-21: £0.338m), with the increase between 2020-21 and 2022-22 reflecting an increase in the level of investment assets managed through LGPSC products.

The Fund incurred £0.947m in respect of Governance, Operator Running and Product Development costs in connection with LGPSC in 2021-22 (2020-21: £0.988m), of which £0.240m was payable to LGPSC at 31 March 2022 (31 March 2021: £0.226m).

LGPSC leases office space from the Council. The lease commenced on 14 June 2018 and is for a duration of five years, with a break clause at 30 June 2021. The rental income received and receivable by the Council from LGPSC in 2021-22 amounted to £0.015m (2020-21: £0.015m). For the duration of the lease term, subsequent years' rentals will be subject to an annual increase of 2.8%.

D2N2 Local Enterprise Partnership (LEP) – The Council is the Accountable Body for the D2N2 LEP. During 2021-22, the Council received £0.102m from the D2N2 LEP, which was all non-grant income (2020-21: total of £27.413m, of which £27.323m given as grants and £0.090m as non-grants). At 31 March 2022, £0.089m was outstanding (31 March 2021: £nil). During 2021-22, the Council commissioned Works and Services to the value of £0.113m from the D2N2 LEP (2020-21: £0.115m) and contributions of £0.061m were made (2020-21: £nil). Using the freedom and flexibilities given to LEP Accountable Bodies, during 2020-21 the Council utilised Getting Building Fund underspends of £16.241m to fund its capital programme. In 2021-22 the Council repaid £15.988m of this funding to the LEP, all of which was outstanding at year end.

7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year, in accordance with proper accounting practice, to align with the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The prior year restatements are explained at Note 4.

		Usable reserves					
Narrative	Note	General Reserve £m	Earmarked Revenue Reserves £m	Unapplied Capital Grants £m	Capital Receipts Reserve £m	Restated Total Unusable Reserves £m	Restated Total £m
RESTATED BALANCE AT 31 MARCH 2021		**(77.665)**	**(260.503)**	**(73.533)**	**(8.653)**	**(106.487)**	**(526.841)**
Comprehensive Income & Expenditure		169.443	**0.000**	**0.000**	**0.000**	**(427.725)**	**(258.282)**
Adjustments between accounting basis and funding basis							
Depreciation of Non-Current Assets	14	(41.133)	0.000	0.000	0.000	41.133	0.000
Impairment of Non-Current Assets	14	(24.085)	0.000	0.000	0.000	24.085	0.000
Application of Capital Grants credited to the CIES	39	37.789	0.000	(37.789)	0.000	0.000	0.000
Disposal of Non-Current Assets	14	(63.382)	0.000	0.000	(3.352)	66.734	0.000
Revenue Expenditure Funded from Capital Under Statute		(15.697)	0.000	0.000	0.000	15.697	0.000
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		0.792	0.000	0.000	0.000	(0.792)	0.000
Amount by which Council Tax and Business Rates income credited to the CIES is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements		9.065	0.000	0.000	0.000	(9.065)	0.000

Reversal of items relating to retirement benefits debited or credited to the CIES	48	(156.729)	0.000	0.000	0.000	156.729	0.000
Statutory provision for the financing of capital investment		11.805	0.000	0.000	0.000	(11.805)	0.000
Principal repayments of transferred debt		0.006	0.000	0.000	0.000	(0.006)	0.000
Capital expenditure charged in the year to the General Reserve		0.363	0.000	0.000	0.000	(0.363)	0.000
Reversal of gains/losses on pooled investment funds measured at FVPL charged to the CIES	21	5.292	0.000	0.000	0.000	(5.292)	0.000
Amount by which finance costs (proportion of previous years' premiums) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	21	0.278	0.000	0.000	0.000	(0.278)	0.000
Amount by which finance costs (capital loan impairments) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	21	0.000	0.000	0.000	0.000	0.000	0.000
Employer's pension contributions and direct payments to pensioners payable in the year	48	64.416	0.000	0.000	0.000	(64.416)	0.000
Deferred Capital Receipts becoming usable		0.000	0.000	0.000	(0.883)	0.883	0.000
Dedicated Schools Grant (DSG) closing deficit balance	38	(3.893)	0.000	0.000	0.000	3.893	0.000
Financing of capital expenditure	17	0.000	0.000	52.640	3.173	(55.813)	0.000
Adjustments between accounting basis and funding basis		**(175.113)**	**0.000**	**14.851**	**(1.062)**	**161.324**	**0.000**
Reserves movements							
Transfer to Earmarked Reserves	29	104.495	(104.495)	0.000	0.000	0.000	0.000
Transfer from Earmarked Reserves	29	(81.665)	81.665	0.000	0.000	0.000	0.000
Total movements		**(152.283)**	**(22.830)**	**14.851**	**(1.062)**	**161.324**	**0.000**
BALANCE AT 31 MARCH 2022		**(60.505)**	**(283.333)**	**(58.682)**	**(9.715)**	**(372.888)**	**(785.123)**

Narrative	Note	Usable reserves: Restated General Reserve	Usable reserves: Earmarked Revenue Reserves	Usable reserves: Unapplied Capital Grants	Usable reserves: Capital Receipts Reserve	Restated Total Unusable Reserves	Restated Total Council Reserves
		£m	£m	£m	£m	£m	£m
RESTATED BALANCE AT 31 MARCH 2020		**(53.547)**	**(229.135)**	**(41.552)**	**(7.415)**	**(616.943)**	**(948.592)**
Restated Comprehensive Income & Expenditure		**94.786**	**0.000**	**0.000**	**0.000**	**326.965**	**421.751**
Restated Adjustments between accounting basis and funding basis							
Depreciation of Non-Current Assets	14	(40.937)	0.000	0.000	0.000	40.937	0.000
Impairment of Non-Current Assets	14	(24.091)	0.000	0.000	0.000	24.091	0.000
Application of Capital Grants credited to the CIES	39	106.093	0.000	(106.093)	0.000	0.000	0.000
Disposal of Non-Current Assets	14	(147.295)	0.000	0.000	(4.017)	151.312	0.000
Revenue Expenditure Funded from Capital Under Statute		(15.569)	0.000	0.000	0.000	15.569	0.000
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(1.861)	0.000	0.000	0.000	1.861	0.000
Amount by which Council Tax and Business Rates income credited to the CIES is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements		(14.963)	0.000	0.000	0.000	14.963	0.000

Restated Reversal of items relating to retirement benefits debited or credited to the CIES	48	(94.573)	0.000	0.000	0.000	94.573	0.000
Statutory provision for the financing of capital investment		13.849	0.000	0.000	0.000	(13.849)	0.000
Principal repayments of transferred debt		0.006	0.000	0.000	0.000	(0.006)	0.000
Capital expenditure charged in the year to the General Reserve		0.000	0.000	0.000	0.000	0.000	0.000
Reversal of gains/losses on pooled investment funds measured at FVPL charged to the CIES	21	6.373	0.000	0.000	0.000	(6.373)	0.000
Amount by which finance costs (proportion of previous years' premiums) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	21	0.267	0.000	0.000	0.000	(0.267)	0.000
Amount by which finance costs (capital loan impairments) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	21	0.000	0.000	0.000	0.000	0.000	0.000
Employer's pension contributions and direct payments to pensioners payable in the year	48	63.586	0.000	0.000	0.000	(63.586)	0.000
Capital receipts from Finance Lease Debtors	45	0.000	0.000	0.000	(0.006)	0.006	0.000
Dedicated Schools Grant (DSG) closing deficit balance	38	(1.157)	0.000	0.000	0.000	1.157	0.000
Financing of capital expenditure	17	0.000	0.000	74.112	2.785	(76.897)	0.000
Restated Adjustments between accounting basis and funding basis		**(150.272)**	**0.000**	**(31.981)**	**(1.238)**	**183.491**	**0.000**
Reserves movements							
Transfer to Earmarked Reserves	29	133.374	(133.374)	0.000	0.000	0.000	0.000
Transfer from Earmarked Reserves	29	(102.006)	102.006	0.000	0.000	0.000	0.000
Total movements		**(118.904)**	**(31.368)**	**(31.981)**	**(1.238)**	**183.491**	**0.000**
RESTATED BALANCE AT 31 MARCH 2021		**(77.665)**	**(260.503)**	**(73.533)**	**(8.653)**	**(106.487)**	**(526.841)**

Narrative	Note	Usable reserves: General Reserve £m	Usable reserves: Earmarked Revenue Reserves £m	Usable reserves: Unapplied Capital Grants £m	Usable reserves: Capital Receipts Reserve £m	Restated Total Unusable Reserves £m	Restated Total Council Reserves £m
BALANCE AT 31 MARCH 2019		**(64.570)**	**(233.445)**	**(56.285)**	**(12.433)**	**(485.429)**	**(852.162)**
Restated Comprehensive Income & Expenditure		**302.632**	**0.000**	**0.000**	**0.000**	**(399.062)**	**(96.430)**
Adjustments between accounting basis and funding basis							
Depreciation of Non-Current Assets	14	(42.602)	0.000	0.000	0.000	42.602	0.000
Impairment of Non-Current Assets	14	(12.055)	0.000	0.000	0.000	12.055	0.000
Application of Capital Grants credited to the CIES	39	31.783	0.000	(31.783)	0.000	0.000	0.000
Disposal of Non-Current Assets	14	(175.383)	0.000	0.000	(2.809)	178.192	0.000
Revenue Expenditure Funded from Capital Under Statute		(23.254)	0.000	0.000	0.000	23.254	0.000
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		1.498	0.000	0.000	0.000	(1.498)	0.000
Amount by which Council Tax and Business Rates income credited to the CIES is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements		3.081	0.000	0.000	0.000	(3.081)	0.000

Reversal of items relating to retirement benefits debited or credited to the CIES	48	(132.696)	0.000	0.000	0.000	132.696	0.000
Statutory provision for the financing of capital investment		10.948	0.000	0.000	0.000	(10.948)	0.000
Principal repayments of transferred debt		(0.068)	0.000	0.000	0.000	0.068	0.000
Capital expenditure charged in the year to the General Reserve		0.000	0.000	0.000	0.000	0.000	0.000
Reversal of gains/losses on pooled investment funds measured at FVPL charged to the CIES	21	(8.352)	0.000	0.000	0.000	8.352	0.000
Amount by which finance costs (proportion of previous years' premiums) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	21	0.244	0.000	0.000	0.000	(0.244)	0.000
Amount by which finance costs (capital loan impairments) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	21	(1.139)	0.000	0.000	0.000	1.139	0.000
Employer's pension contributions and direct payments to pensioners payable in the year	48	60.696	0.000	0.000	0.000	(60.696)	0.000
Capital receipts from Finance Lease Debtors	45	0.000	0.000	0.000	(0.007)	0.007	0.000
Financing of capital expenditure	17	0.000	0.000	46.516	7.834	(54.350)	0.000
Adjustments between accounting basis and funding basis		(287.299)	0.000	14.733	5.018	**267.548**	**0.000**
Reserves movements							
Transfer to Earmarked Reserves	29	58.564	(58.564)	0.000	0.000	0.000	0.000
Transfer from Earmarked Reserves	29	(62.874)	62.874	0.000	0.000	0.000	0.000
Total movements		**(291.609)**	**4.310**	**14.733**	**5.018**	**267.548**	**0.000**
RESTATED BALANCE AT 31 MARCH 2020		**(53.547)**	**(229.135)**	**(41.552)**	**(7.415)**	**(616.943)**	**(948.592)**

8. PROPERTY, PLANT AND EQUIPMENT

The value of Property, Plant and Equipment (PPE) assets in the Balance Sheet are shown at their carrying valuation, less accumulated depreciation charges. The table below shows the movement in PPE assets during the year:

	Note/ Statement	Land & Buildings £m	Vehicles, Plant & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Property Plant & Equipment £m
COST OR VALUATION								
At 1 April 2021		**1,207.501**	**65.436**		**4.641**	**17.816**	**41.848**	
Additions		20.553	2.990	45.661	0.227	0.019	28.005	**97.455**
Disposals		(55.336)	(3.290)	0.000	0.000	(1.163)	0.000	**(59.789)**
Disposals derecognition		(1.762)	0.000	(11.930)	(0.055)	0.000	0.000	**(13.747)**
Revaluation Gains to RR*	CIES	133.716	0.000	0.000	0.000	1.790	0.000	**135.506**
Revaluation Losses to RR	CIES	(49.965)	0.000	0.000	0.000	(1.855)	0.000	**(51.820)**
Revaluation Losses to CIES		(23.235)	0.000	0.000	0.000	(0.397)	0.000	**(23.632)**
Transfer within PPE		4.128	(0.075)	8.499	1.303	1.710	(15.565)	**0.000**
Transfer to Held for Sale		0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
At 31 March 2022		**1,235.600**	**65.061**		**6.116**	**17.920**	**54.288**	
DEPRECIATION								
At 1 April 2021		**(9.268)**	**(52.464)**		**(0.037)**	**(1.725)**	**0.000**	
Charge for year		(24.270)	(2.992)	(13.254)	(0.004)	(0.021)	0.000	**(40.541)**
Revaluations to RR	CIES	23.256	0.000	0.000	0.000	0.165	0.000	**23.421**
Impairment to CIES		(0.443)	0.000	0.000	0.000	0.000	0.000	**(0.443)**
Disposals		1.539	3.154	0.000	0.000	0.002	0.000	**4.695**
Disposals derecognition		0.116	0.000	2.490	0.000	0.000	0.000	**2.606**
Transfer within PPE		0.146	0.078	0.000	0.000	(0.224)	0.000	**0.000**
Transfer to Held for Sale		0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
At 31 March 2022		**(8.924)**	**(52.224)**		**(0.041)**	**(1.803)**	**0.000**	
OPENING VALUE		1,198.233	12.972	349.329	4.604	16.091	41.848	1,623.077
CLOSING VALUE		**1,226.676**	**12.837**	**380.795**	**6.075**	**16.117**	**54.288**	**1,696.788**
NATURE OF ASSET HOLDING								
Purchased / Built		1,191.616	12.837	380.795	6.075	16.117	54.288	**1,661.728**
Finance Lease		7.535	0.000	0.000	0.000	0.000	0.000	**7.535**
Donated		5.820	0.000	0.000	0.000	0.000	0.000	**5.820**
Private Finance Initiative		21.705	0.000	0.000	0.000	0.000	0.000	**21.705**
		1,226.676	**12.837**	**380.795**	**6.075**	**16.117**	**54.288**	**1,696.788**

*RR – Revaluation Reserve

The fair value measurement of the Council's Surplus Assets is analysed below, with net book value being categorised as fair value Level 1, Level 2 or Level 3. Refer to Note 21 for more information about these Levels.

	Net Book Value (NBV)			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Land	0.000	7.926	7.056	14.982
Buildings	0.000	0.389	0.746	1.135
	0.000	**8.315**	**7.802**	**16.117**

The 2020-21 position was:

	Note/ Statement	Land & Buildings £m	Vehicles, Plant & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Property Plant & Equipment £m
COST OR VALUATION								
At 1 April 2020		**1,349.334**	**69.169**		**4.502**	**9.420**	**70.337**	
Additions		14.266	2.870	29.129	0.222	0.005	27.985	**74.477**
Disposals		(98.482)	(5.104)	0.000	(0.098)	(0.664)	0.000	**(104.348)**
Disposals derecognition		(1.398)	0.000	(20.578)	(0.074)	0.000	0.000	**(22.050)**
Revaluation Gains to RR*	CIES	28.468	0.000	0.000	0.000	6.170	0.000	**34.638**
Revaluation Losses to RR	CIES	(67.771)	0.000	0.000	0.000	(5.644)	0.000	**(73.415)**
Revaluation Losses to CIES		(15.723)	0.000	0.000	0.000	(7.681)	0.000	**(23.404)**
Transfers within PPE		(1.193)	(1.499)	6.983	0.089	16.804	(21.184)	**0.000**
Transfers to Heritage		0.000	0.000	0.000	0.000	0.000	(35.290)	**(35.290)**
Transfers to Held for Sale		0.000	0.000	0.000	0.000	(0.594)	0.000	**(0.594)**
At 31 March 2021		**1,207.501**	**65.436**		**4.641**	**17.816**	**41.848**	
DEPRECIATION								
At 1 April 2020		**(36.572)**	**(55.225)**		**(0.033)**	**(0.281)**	**0.000**	
Charge for year		(24.787)	(2.642)	(12.489)	(0.004)	(0.037)	0.000	**(39.959)**
Revaluations to RR	CIES	47.444	0.000	0.000	0.000	0.687	0.000	**48.131**
Impairment to CIES		(0.879)	0.000	0.000	(0.081)	0.000	0.000	**(0.960)**
Disposals		4.720	3.876	0.000	0.081	0.087	0.000	**8.764**
Disposals derecognition		0.152	0.000	4.041	0.000	0.000	0.000	**4.193**
Transfer within PPE		0.654	1.527	0.000	0.000	(2.181)	0.000	**0.000**
Transfer to Held for Sale		0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
At 31 March 2021		**(9.268)**	**(52.464)**		**(0.037)**	**(1.725)**	**0.000**	
OPENING VALUE		1,312.762	13.944	342.243	4.469	9.139	70.337	1,752.894
CLOSING VALUE		**1,198.233**	**12.972**	**349.329**	**4.604**	**16.091**	**41.848**	**1,623.077**
NATURE OF ASSET HOLDING								
Purchased / Built		1,170.138	12.972	349.329	4.604	16.091	41.848	**1,594.982**
Finance Lease		6.926	0.000	0.000	0.000	0.000	0.000	**6.926**
Private Finance Initiative		21.169	0.000	0.000	0.000	0.000	0.000	**21.169**
		1,198.233	**12.972**	**349.329**	**4.604**	**16.091**	**41.848**	**1,623.077**

*RR – Revaluation Reserve

In accordance with the temporary relief offered by the Update to the Code on Infrastructure Assets, this note does not include disclosure of gross cost and accumulated depreciation for Infrastructure Assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to Infrastructure Assets.

The Council has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for Infrastructure Assets when there is replacement expenditure is nil.

Under IFRS13, the Council is required to provide a summary of the fair value measurement for Surplus Assets. The 2020-21 position was:

	Net Book Value (NBV)			
	Level 1	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Land	0.000	8.142	7.114	15.256
Buildings	0.000	0.263	0.572	0.835
	0.000	**8.405**	**7.686**	**16.091**

A summary of the Council’s Property, Plant and Equipment, Heritage Assets, Intangible Assets and Assets Held For Sale is included below, giving information as to the proportion of the closing value at 31 March 2022 which relates to assets held at historic cost and the proportion which relates to assets which have been revalued, and if so, the year of that revaluation under the Council’s five year rolling programme of physical revaluation. In addition to this physical formal revaluation programme, school assets are revalued each year based on a desk top review. The value of schools revalued in this way at 31 March 2022 is £594.444m.

	Land & Buildings £m	Vehicles, Plant & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Property Plant & Equipment £m
VALUATION							
At 31 March 2022	283.124	0.000	0.000	0.000	16.117	0.000	299.241
At 31 March 2021	305.284	0.000	0.000	0.000	0.000	0.000	305.284
At 31 March 2020	203.924	0.000	0.000	0.000	0.000	0.000	203.924
At 31 March 2019	198.858	0.000	0.000	0.000	0.000	0.000	198.858
At 31 March 2018	235.486	0.000	0.000	0.000	0.000	0.000	235.486
	1,226.676	**0.000**	**0.000**	**0.000**	**16.117**	**0.000**	**1,242.793**
HISTORIC COST	**0.000**	**12.837**	**380.795**	**6.075**	**0.000**	**54.288**	**453.995**
CLOSING VALUE							
At 31 March 2022	**1,226.676**	**12.837**	**380.795**	**6.075**	**16.117**	**54.288**	**1,696.788**

9. NATURE AND SCALE OF HERITAGE ASSETS

The table below shows the movement in Heritage Assets during the year:

	Monuments, Statues and Historic Buildings £m	County Buildings £m	Archives and Local Studies Collection £m	Museum Collection and Artefacts £m	Heritage Assets £m
COST OR VALUATION					
At 1 April 2021	**40.600**	**0.058**	**4.250**	**2.964**	**47.872**
Additions	0.269	0.000	0.000	0.000	**0.269**
Disposals	0.000	0.000	(0.250)	(0.094)	**(0.344)**
Impairment losses/(reversals) through I&E	0.000	(0.010)	0.000	0.000	**(0.010)**
Revaluations	12.976	(0.016)	0.000	2.705	**15.665**
Derecognition	(0.029)	0.000	0.000	0.000	**(0.029)**
At 31 March 2022	**53.816**	**0.032**	**4.000**	**5.575**	**63.423**
DEPRECIATION					
At 1 April 2021	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Depreciation Charge	0.000	0.000	0.000	0.000	**0.000**
Disposals	0.000	0.000	0.000	0.000	**0.000**
At 31 March 2022	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
OPENING VALUE	40.600	0.058	4.250	2.964	47.872
CLOSING VALUE	**53.816**	**0.032**	**4.000**	**5.575**	**63.423**
NATURE OF ASSET HOLDING					
Purchased / Built	53.816	0.032	4.000	4.399	62.247
Donated	0.000	0.000	0.000	1.176	1.176
	53.816	**0.032**	**4.000**	**5.575**	**63.423**

The Council's Heritage Assets are categorised as follows:

Monuments, Statues and Historic Buildings – the Council owns various historic buildings, the most significant of which is Elvaston Castle, which was designed by James Wyatt, in the gothic revival style, in the early 1800s. The castle is situated in approximately 321 acres of open parkland, woodland and historical gardens. The Council has a Masterplan in place and has continued to dedicate capital expenditure to improve access and provide a sustainable future for the castle and its country park.

County Buildings – various heritage assets are held at County Buildings. These include pieces of silverware from the former Judges' lodgings and railway nameplates.

Archives and Local Studies Collection – this collection is proportioned approximately 80% archives and 20% local studies. A large photographic collection is held at the Derbyshire Records Office. Also held are records of the magistrates' court, county court, coroner's court, hospitals and NHS Trust. This is Derbyshire's only place of deposit.

Museum Collection and Artefacts – the permanent galleries at Buxton Museum showcase the core collections, covering Peak District archaeology, geology, art and local history. There is a recreated study of the work of archaeologist Sir William Boyd Dawkins, together with a fine art collection of mostly 19th and 20th century works in watercolours, oils and prints, including works by Brangwyn, Chagall, Chahine and their contemporaries. Also held at the museum is a mineral collection including Blue John, local specimens and cave deposits. There is also a collection of Ice Age material and finds from Creswell Crags on the Derbyshire border. A number of Hans Coper vases are also held.

The 2020-21 position was:

	Monuments, Statues and Historic Buildings £m	County Buildings £m	Archives and Local Studies Collection £m	Museum Collection and Artefacts £m	Heritage Assets £m
COST OR VALUATION					
At 1 April 2020	**40.389**	**0.312**	**5.250**	**3.619**	**49.570**
Additions	1.015	0.000	0.000	0.000	**1.015**
Disposals	(35.984)	(0.258)	(0.813)	(1.060)	**(38.115)**
Revaluations	0.000	0.004	0.000	0.218	**0.222**
Transfers from PPE	35.290	0.000	0.000	0.000	**35.290**
Transfers within Heritage Assets	0.000	0.000	(0.187)	0.187	**0.000**
Derecognition	(0.110)	0.000	0.000	0.000	**(0.110)**
At 31 March 2021	**40.600**	**0.058**	**4.250**	**2.964**	**47.872**
DEPRECIATION					
At 1 April 2020	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Depreciation Charge	(0.086)	0.000	0.000	0.000	**(0.086)**
Disposals	0.086	0.000	0.000	0.000	**0.086**
At 31 March 2021	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
OPENING VALUE	40.389	0.312	5.250	3.619	49.570
CLOSING VALUE	**40.600**	**0.058**	**4.250**	**2.964**	**47.872**
NATURE OF ASSET HOLDING					
Purchased / Built	40.600	0.058	4.250	2.039	46.947
Donated	0.000	0.000	0.000	0.925	0.925
	40.600	**0.058**	**4.250**	**2.964**	**47.872**

Buxton Crescent was classified as an Asset Under Construction for several years whilst the capital project was progressing. Expenditure, representing several years' accumulation of the Asset Under Construction balance, was capitalised in 2020-21, due to the asset becoming operational on 1 October 2020. Based upon a judgement of the substance of the transaction over its legal form, the Council determined that the asset should be removed from the Balance Sheet in 2020-21, to reflect transfer of responsibility over the asset. This led to the value of expenditure being treated as a disposal within 2020-21.

10. HERITAGE ASSETS NOT REPORTABLE IN THE BALANCE SHEET

Where the Council is unable to place a reliable fair value on Heritage Assets because of their nature, it is required to disclose them in accordance with the Code of Practice on Local Authority Accounting. Details of these Heritage Assets are set out below:

- Colliery Bridge, Shipley Country Park
- Paul's Arm Bridge, Shipley Country Park
- Leawood River Aqueduct
- Northern Retaining Walls and Loading Bay, Cromford Wharf
- Side Walls and Curbs to Canal Basin, Cromford Wharf
- Railway Embankment and Road Bridge, Steeple Grange, Wirksworth
- Grindlow Tower, Solomon's Temple, Poole's Cavern Country Park, Buxton
- Workshops, Offices and Terminus at Cromford and High Peak Junction
- Brittain Colliery Headstocks, Ripley
- Brittain Colliery Engine House, Ripley

11. CAPITAL EXPENDITURE AND CAPITAL FINANCING

2020-21 £m		2021-22 £m
75.493	Capital Additions	97.902
15.569	Revenue Expenditure Funded from Capital Under Statute	15.697
91.062	**Capital Expenditure**	**113.599**
14.359	Loans	57.423
0.000	Revenue Contributions	0.363
2.591	Capital Receipts	3.172
74.112	Grants and Contributions	52.641
91.062	**Capital Financing**	**113.599**

2020-21 £m		2021-22 £m
525.169	**Opening Capital Financing Requirement (CFR)**	**525.679**
	Capital Investment	
75.295	Property, Plant and Equipment	97.755
0.198	Intangible Assets	0.147
15.569	Revenue Expenditure Funded from Capital under Statute	15.697
	Sources of Finance	
(2.591)	Capital Receipts	(3.172)
(74.112)	Government Grants and other Contributions	(52.641)
0.000	Direct Revenue Contributions	(0.363)
(13.849)	Statutory Minimum Revenue Provision	(11.805)
525.679	**Closing Capital Financing Requirement (CFR)**	**571.297**
0.510	**Movement in Year**	**45.618**
	Increase/(Decrease) in Underlying Need to Borrow (Unsupported by Government Financial Assistance)	

12. INTANGIBLE ASSETS

Intangible assets relate to the purchase of software licences:

	2020-21 £m	2021-22 £m
COST OR VALUATION		
At 1st April	**8.602**	**8.800**
Additions	0.198	0.147
Disposals	0.000	0.000
At 31st March	**8.800**	**8.947**
DEPRECIATION		
At 1st April	**(7.073)**	**(7.640)**
Charge for year	(0.567)	(0.593)
Disposals	0.000	0.000
At 31st March	**(7.640)**	**(8.233)**
OPENING VALUE	1.529	1.160
CLOSING VALUE	**1.160**	**0.714**

13. ASSETS HELD FOR SALE

2020-21					2021-22			
Carrying Value			RR		Carrying Value			RR
GBV £m	Dpn £m	NBV £m	£m		GBV £m	Dpn £m	NBV £m	£m
2.342	**0.000**	**2.342**	**1.038**	**At 1 April**	**2.896**	**0.000**	**2.896**	**1.645**
0.000	0.000	0.000	0.000	Sales	(0.500)	0.000	(0.500)	(0.211)
0.594	0.000	0.594	0.594	Transfers	0.000	0.000	0.000	0.000
(0.040)	0.000	(0.040)	0.013	Other Movements	0.000	0.000	0.000	0.000
2.896	**0.000**	**2.896**	**1.645**	**At 31 March**	**2.396**	**0.000**	**2.396**	**1.434**

Assets must meet stringent criteria to be classified as Held for Sale rather than Surplus.

14. NON-CURRENT DEBTORS

31 Mar 2021 £m		Note	31 Mar 2022 £m
0.038	Non-Current Transferred Debt	21	0.036
0.204	Other Non-Current Debtors	21	0.195
0.242	**Total Non-Current Debtors**		**0.231**

15. FINANCIAL INSTRUMENTS

Financial Assets comprise loans to other bodies, cash and short-term deposits, investments in equity funds and receivables.

Current Financial Assets

	Carrying Value		Fair Value	
	31 Mar 2021 £m	31 Mar 2022 £m	31 Mar 2021 £m	31 Mar 2022 £m
Current Investments	161.148	251.812	161.148	251.812
Cash and Cash Equivalents	71.657	46.230	71.657	46.230
Trade Debtors	25.538	27.888	25.538	27.888
Current Financial Assets	**258.343**	**325.930**	**258.343**	**325.930**

Non-Current Financial Assets

	Carrying Value		Fair Value	
	31 Mar 2021 £m	31 Mar 2022 £m	31 Mar 2021 £m	31 Mar 2022 £m
Non-Current Transferred Debt	0.038	0.036	0.038	0.036
Pooled Investment Funds	66.264	71.556	66.264	71.556
Loan to Buxton Crescent Ltd	11.093	11.292	12.325	12.547
Loan to Chesterfield FC Community	0.450	0.449	0.500	0.500
Other Non-Current Investments	44.500	14.996	44.853	14.750
Other Non-Current Debtors	0.204	0.195	0.204	0.195
Non-Current Financial Assets	**122.549**	**98.524**	**124.184**	**99.584**

* Fair value disclosure not required

The Non-Current Investments balance includes the Council's holdings in pooled investment funds.

Financial Assets by Measurement Classification

	Carrying Value		Fair Value	
	31 Mar 2021 £m	31 Mar 2022 £m	31 Mar 2021 £m	31 Mar 2022 £m
Amortised Costs	314.628	352.898	316.263	353.958
Fair Value through Profit or Loss	66.264	71.556	66.264	71.556
Total Financial Assets	**380.892**	**424.454**	**382.527**	**425.514**

At 31 March 2022 there was one non-current investment in the balance sheet with a carrying value in excess of £15.000m:

- CCLA Mutual Investment Trust Property Fund, with a carrying value equal to fair value at 31 March 2022 of £27.129m (original investment £25.000m). This investment is open ended but can be realised with 90 days' notice.

Non-Current Transferred Debt and Other Non-Current Debtors are not quoted on active markets meaning that fair value cannot be accurately calculated. As such they have been reported at carrying value.

Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

The following financial assets are pooled investment funds which the Council has measured at FVPL. The Council's pooled investment funds are traded on active markets, for which the Council can access the measurement data. The fair values of these funds are determined by the closing bid prices at 31 March 2022. The fair values of the Council's deposits and the loans it has made are determined with reference to the principal, term, rate and timing of the interest and the borrower's credit rating. It is the Council's intention to hold these assets for the medium to long term to earn investment income and for capital appreciation.

Financial Assets measured at FVPL	Carrying Value		Fair Value	
	31 Mar 2021 £m	31 Mar 2022 £m	31 Mar 2021 £m	31 Mar 2022 £m
Aegon - Diversified Income Fund	10.127	10.111	10.127	10.111
CCLA - LA Property Fund	23.078	27.129	23.078	27.129
CCLA Diversified Income Fund	4.903	5.130	4.903	5.130
M&G - Optimal Income Fund	4.963	4.791	4.963	4.791
M&G - Global Dividend Fund	5.684	6.518	5.684	6.518
Ninety One* Diversified Income Fund	9.790	9.320	9.790	9.320
Schroder - Income Maximiser Fund	7.719	8.557	7.719	8.557
Total	**66.264**	**71.556**	**66.264**	**71.556**

*Previously Investec

The Council holds 75,000 £1 ordinary shares (17% share) in the Local Authority controlled Scape Group (Ltd). The value of this holding is small and there are conditions on the shares that prevent them from being traded on the open market. The Council does not consider the value to be material and therefore no value is carried on the Council's Balance Sheet.

There have been no financial assets measured at FVPL which have been derecognised in the year ended 31 March 2022.

Dividend Income

Dividend income from the Council's investments in equity instruments and pooled investment funds has been recognised as follows:

	2020-21 £m	2021-22 £m
None	0.000	0.000
From Investments Derecognised	**0.000**	**0.000**
Aegon - Diversified Income Fund	0.431	0.515
CCLA - LA Property Fund	1.008	0.895
CCLA Diversified Income Fund	0.156	0.123
M&G - Global Dividend Fund	0.170	0.179
M&G - Optimal Income Fund	0.112	0.117
Ninety One Diversified Income Fund	0.366	0.351
Schroder - Income Maximiser Fund	0.477	0.550
Scape Group Limited shares	0.000	0.500
From Investments Held at Year End	**2.720**	**3.230**
Total Dividends Received	**2.720**	**3.230**

Financial Instrument Liabilities comprise loans and borrowings, PFI liabilities, finance lease liabilities and other liabilities at contract amounts.

Current Financial Liabilities

	Carrying Value		Fair Value	
	31 Mar 2021 £m	31 Mar 2022 £m	31 Mar 2021 £m	31 Mar 2022 £m
Transferred Debt	(0.006)	(0.007)	(0.006)	(0.007)
Public Works Loan Board	0.000	(7.320)	0.000	(7.320)
Temporary Loans	(88.000)	(127.500)	(88.000)	(127.500)
Accrued Interest	(2.052)	(2.042)	(2.052)	(2.042)
Current Loans and Borrowing	**(90.058)**	**(136.869)**	**(90.058)**	**(136.869)**
Trade Creditors	(86.351)	(114.587)	(86.351)	(114.587)
PFI liability	(4.166)	(4.388)	(7.121)	(7.008)
Finance lease liability	(0.394)	(0.400)	(0.394)	(0.400)
Current Financial Liabilities	**(180.969)**	**(256.244)**	**(183.924)**	**(258.864)**

Non-Current Financial Liabilities

	Note	Fair Value Level	Carrying Value		Fair Value	
			31 Mar 2021 £m	31 Mar 2022 £m	31 Mar 2021 £m	31 Mar 2022 £m
Transferred Debt		2	(0.149)	(0.142)	(0.149)	(0.142)
Public Works Loan Board		2	(228.013)	(221.960)	(346.332)	(300.421)
Other Long Term Loans		2	(15.554)	(28.543)	(22.006)	(32.086)
Non-Current Borrowing			**(243.716)**	**(250.645)**	**(368.487)**	**(332.649)**
PFI liability	27	3	(55.587)	(51.199)	(65.695)	(55.123)
Finance lease liability	27	*	(4.245)	(3.846)	(4.245)	(3.846)
Non-Current Financial Liabilities			**(303.548)**	**(305.690)**	**(438.427)**	**(391.618)**

* Fair value disclosure not required

Financial Liabilities by Measurement Classification

	Carrying Value		Fair Value	
	31 Mar 2021 £m	31 Mar 2022 £m	31 Mar 2021 £m	31 Mar 2022 £m
Amortised Costs	(484.517)	(561.934)	(622.351)	(650.482)
Fair Value through Profit or Loss	0.000	0.000	0.000	0.000
Total Financial Liabilities	**(484.517)**	**(561.934)**	**(622.351)**	**(650.482)**

The Council has 49 loans with the Public Works Loan Board (PWLB) at 31 March 2022. The start date of the earliest of these PWLB loans was June 1997. This loan is for a period of 25 years. The most recent start date was November 2007, for a period of 30 years. During the year, no loans with the PWLB were due for repayment. The average loan rate across the loans is 4.50%. The average discount rate is 2.72%.

At 31 March 2022 the Council held one LOBO loan and two other long-term loans (Barclays waived their LOBO options in June 2016):

- £5.000m Dexia LOBO loan, commencing in August 2004, for 35 years, at a fixed rate of 4.5%. The fair value is £6.460m using a discount rate of 2.464%.

- £5.000m Barclays loan commencing in October 2003, for 40 years, with an introductory rate of 3.2% for four years, then 4.875% thereafter. The carrying value of the loan at 31 March 2022 is £5.336m and the fair value is £6.682m, using a discount rate of 2.910%.
- £5.000m Barclays loan, commencing in February 2005, for 40 years, with an introductory interest rate of 3.7% for four years, then 4.5% thereafter. A discount of £0.103m applied at the commencement of the loan. The carrying value of the loan at 31 March 2022 is £5.207m and the fair value is £6.353m, using a discount rate of 2.901%.

PFI and Finance Lease Liabilities are not quoted on active markets. The discounted cash flow method has been used to calculate the fair value of PFI liabilities. Refer to Note 46 for further details. The average interest rate across the Council's 17 finance leases is 11.32%. Refer to Note 45 for further details.

Interest Income and Expenditure

The following income and expenditure have been recognised in the CIES in relation to interest on financial instruments:

	Income/(Expense)	
	2020-21	**2021-22**
	£m	**£m**
Interest Income	3.426	2.188
Interest Expense	(17.858)	(17.340)
Net Interest Income/(Expense)	**(14.432)**	**(15.152)**

Financial Instrument Gains/Losses

The following gains and losses have been recognised in the CIES in relation to the carrying value of the Council's financial assets:

	Net (Losses)/Gains	
Financial Assets	**2020-21**	**2021-22**
	£m	**£m**
Amortised Costs	0.062	1.667
Fair Value through Profit or Loss	6.386	5.292
FVOCI - Gains/Losses Recognised in Other Comprehensive Income	0.000	0.000
FVOCI - Accumulated Gains/Losses Reclassified to Surplus Deficit on Provision of Service	0.000	0.000
Total (Losses)/Gains	**6.448**	**6.959**

Losses arising from financial assets measured at amortised cost relate to impairment of these assets, including write-off of irrecoverable trade debt and movement in the allowances for loss due to default on these assets. The loan advances to Buxton Crescent Ltd (formerly Buxton Crescent Hotel and Thermal Spa Company Ltd) meet the definition of capital expenditure under statutory provisions, therefore the movement in the loss allowance for default provided for these advances has been reversed out to the Capital Adjustment Account.

Losses from financial assets measured at Fair Value through Profit or Loss (FVPL) relate to movements in the fair value of the Council's investments in pooled investment funds. These losses have been reversed out to the Financial Instruments Adjustment Account as required by the statutory temporary override MHCLG has issued. The override is effective for financial years 2018-19 to 2022-23.

There are no gains or losses from financial assets measured at Fair Value through Other Comprehensive Income (FVOCI).

The following losses arose on derecognition from Financial Assets measured at amortised cost.

	2020-21		**2021-22**	
	Gains £m	**(Losses) £m**	**Gains £m**	**(Losses) £m**
Loan to Buxton Crescent Ltd	0.000	(0.566)	0.000	(0.162)
Gains/(Losses) on Derecognition	**0.000**	**(0.566)**	**0.000**	**(0.162)**

The Buxton Crescent hotel was scheduled to open in Spring 2020. However, due to the impacts of the Covid-19 pandemic, this opening was delayed until Autumn 2020 and additional closures in line with Government guidance and reduced visitor numbers had a significant negative impact on the hotel's ability to generate any revenues in 2020-21 and early 2021-22. On 19 July 2021 most legal restrictions on social contact were lifted in England and the hotel's operations could start to return to normal.

The Council agreed to write-off £0.566m of interest accruing on the loan to Buxton Crescent Limited, for the year ended 31 March 2021, and £0.162m of interest accruing from 1 April 2021 to 18 July 2021. This is in recognition of the fact that Buxton Crescent Limited's revenues were significantly lower than anticipated because of the Covid-19 pandemic, which has impacted on its ability to afford interest payments on the loan. This has been funded by Covid-19 grant funding.

There have been no gains or losses recognised in the CIES in relation to the carrying value of the Council's financial liabilities.

Fee Income and Expenses

	Income/(Expense)	
	2020-21	2021-22
	£m	£m
Fees From Instruments not at FVPL	(0.125)	(0.132)
Fees From Investing Activities on Behalf of Other Parties	0.030	0.030
Net Fee Income/(Expense)	**(0.095)**	**(0.102)**

The Council incurred £0.132m in brokerage fees to execute transactions relating to new loans the Council took out. Two of these loans had a term of less than two years, the remainder had a term of one year or less. £0.030m of income was earned from banking and treasury management services provided to the Derbyshire Pension Fund and Local Enterprise Partnership (LEP) for Derby, Derbyshire, Nottingham and Nottinghamshire.

Financial Instruments – Fair Values

Financial assets which do not give rise to cash flows which are solely payments of principal and interest, or where it is not the Council's intention to hold those assets to collect the contractual cash flows, are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2022, using the following methods and assumptions:

- Certificates of deposit and forward loan contracts have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2022, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of the LOBO loan has been increased by the value of the embedded options, where a value exists. The lender's options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. The Council's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that the lender will only exercise their option when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.

- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

Fair values are split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

16. INVENTORIES

	2020-21			2021-22		
	Highways £m	Other £m	Total £m	Highways £m	Other £m	Total £m
1 April	**0.681**	**1.296**	**1.977**	**0.409**	**1.179**	**1.588**
Purchase of new stock	0.696	2.536	3.232	0.973	1.574	2.547
Stock issued	(0.944)	(2.651)	(3.595)	(1.073)	(1.598)	(2.671)
Stock written off	(0.024)	(0.002)	(0.026)	0.000	(0.006)	(0.006)
31 March	**0.409**	**1.179**	**1.588**	**0.309**	**1.149**	**1.458**

17. CURRENT DEBTORS

The current debtor balance can be analysed into the following categories:

31 Mar 2021 £m		31 Mar 2022 £m
17.671	From Other Local Authorities	10.570
4.223	From NHS Bodies	7.464
9.795	From Government Departments	12.260
4.169	From Derbyshire Pension Fund	4.453
44.595	From Other Sundry Debtors	52.835
80.453	**Amounts Owed to the Council**	**87.582**
0.123	To Other Local Authorities	0.024
0.092	To Government Departments	0.020
5.692	To Other Sundry Debtors	4.831
5.907	**Expenditure Paid in Advance by the Council**	**4.875**
86.360	**Total Current Debtors**	**92.457**
(4.196)	Less Allowance for Bad Debts	(2.073)
82.164	**Carrying Value of Current Debtors**	**90.384**

18. CASH AND CASH EQUIVALENTS

31 Mar 2021 £m		31 Mar 2022 £m
21.522	County Fund Bank Account Balance	41.991
21.522	**Cash Book for County Fund Account**	**41.991**
0.300	Schools Cash Income Account Balance	0.208
0.300	**Cash Book for Schools Cash Account**	**0.208**
21.822	**Total Cash Book Balance**	**42.199**
3.139	Amounts held by Bank Account Schools	2.132
0.324	Amounts held in Petty Cash Accounts	0.453
0.392	Amounts held in Imprest Bank Accounts	0.452
(0.005)	Amounts held in Other Bank Accounts	(0.004)
25.672	**Total Cash Balance**	**45.232**
1.000	Bank instant-access deposit accounts	1.009
45.004	Short-term deposits	0.000
(0.019)	Cash investment loss allowance	(0.011)
71.657	**Total Cash and Cash Equivalents**	**46.230**

19. CREDITORS

The creditor balance can be analysed into the following categories:

31 Mar 2021 £m		31 Mar 2022 £m
(7.302)	To Other Local Authorities	(8.033)
(3.297)	To NHS Bodies	(1.319)
(13.679)	To Government Departments	(15.364)
(93.825)	To Other Sundry Creditors	(120.506)
(118.103)	**Amounts Owed by the Council**	**(145.222)**
(0.462)	From Other Local Authorities	(0.545)
(4.685)	From NHS Bodies	(15.104)
(23.060)	From Government Departments	(29.064)
(7.313)	From Other Sundry Creditors	(7.721)
(35.520)	**Income Received in Advance by the Council**	**(52.434)**
(153.623)	**Carrying Value of Creditors**	**(197.656)**

20. PROVISIONS

Total Provisions

	Insurance Fund	Exit Packages	Other	Total
	£m	£m	£m	£m
1 April 2020	7.210	1.841	3.181	12.232
New Provisions	4.319	0.037	5.711	10.067
Utilisation of Provision	(2.409)	(0.944)	(3.097)	(6.450)
Reversal of Provision	0.000	(0.309)	(0.020)	(0.329)
1 April 2021	**9.120**	**0.625**	**5.775**	**15.520**
New Provisions	3.766	2.246	3.902	9.914
Utilisation of Provision	(4.524)	(0.628)	(5.559)	(10.711)
Reversal of Provision	0.000	0.000	(0.216)	(0.216)
31 March 2022	**8.362**	**2.243**	**3.902**	**14.507**

Maturity Profile of Provisions

	Insurance Fund	Exit Packages	Other	Total
	£m	£m	£m	£m
Current Provisions	0.000	0.625	5.775	6.400
Non-Current Provisions	9.120	0.000	0.000	9.120
31 March 2021	**9.120**	**0.625**	**5.775**	**15.520**
Current Provisions	0.000	2.243	3.902	6.145
Non-Current Provisions	8.362	0.000	0.000	8.362
31 March 2022	**8.362**	**2.243**	**3.902**	**14.507**

Provision for Exit Packages
Estimated costs associated with future voluntary redundancies include an element for schools. The provision has been created on a global estimation of the cuts required to achieve the savings targets. There is uncertainty around which employees will leave the Council and at what time, which will determine the true cost.

Cash outflows are expected to be £2.295m in 2022-23. There are expected to be no cash outflows in 2023-24 and 2024-25.

Insurance Fund Provision
The Insurance Fund meets the estimated ‘excess’ of the Council’s insurance policies, with amounts held in either the insurance provision or the insurance reserve. The total Insurance Fund balance is £24.401m (31 March 2021: £26.225m). The provision of £8.362m represents obligations as at 31 March as a result of past claims. The reserve balance of £16.039m represents the Council’s self-insurance risk premium.
Cash outflows are expected to average just over £2.000m each year for the next three to four years.

Other Provisions
At 31 March 2022 the other provisions balance of £3.902m is comprised of £2.717m for a refund expected to be payable to the NHS in respect of income recognised relating to Continuing Healthcare and £0.634m expected to be payable for outstanding post-16 payments to colleges and backdated top-up payments for children with additional needs. The timing and amount of payments in respect of these provisions is not yet known. A further £0.551m is expected to be payable for the clawback of grant funding from Derbyshire’s Adult Community Education Service, which will be determined at the end of the academic year.

The timing of the cash outflows is not expected to be later than one year from 31 March 2022.

21. NON-CURRENT LIABILITIES

Pensions Liabilities

Restated 31 Mar 2020 £m	Restated 31 Mar 2021 £m		31 Mar 2022 £m
(601.941)	(966.931)	Pensions Liability - LGPS	(759.230)
(55.041)	(57.592)	Pensions Liability - Teachers	(52.653)
(656.982)	**(1,024.523)**		**(811.883)**

The prior year restatements are explained at Note 4.

Other Non-Current Liabilities

31 Mar 2021 £m		31 Mar 2022 £m
(13.356)	PFI Phase 1	(11.831)
(18.241)	PFI Phase 2	(16.858)
(23.990)	PFI - BSF	(22.510)
(2.822)	Finance Lease - Joint Service Centre	(2.746)
(1.423)	Finance Lease - Other Leases	(1.100)
(59.832)		**(55.045)**

Further information about the leases, PFI scheme and pension liabilities can be found in Notes 45 to 48.

22. USABLE RESERVES

Usable reserves relate to cash backed reserves that are available to finance future services or capital expenditure. Below are details of the Council's usable reserves and their purpose:

- **General Reserve** – revenue reserves available for future service delivery.
- **Revenue Earmarked Reserves** – revenue reserves available for future service delivery, however future spending pressures have been identified for which they will be used.
- **Usable Capital Receipts** – proceeds from the sale of Property, Plant and Equipment assets which are available to finance future capital developments.
- **Capital Grants Unapplied** – unused grant receipts for capital developments.

Details of the Council's usable reserves can be found in the Movement in Reserves Statement and Notes 13 and 29.

TRANSFERS TO / FROM EARMARKED RESERVES

	1 Apr 2020 £m	Transfers In £m	Transfers Out £m	31 Mar 2021 £m	Transfers In £m	Transfers Out £m	31 Mar 2022 £m
Adult Care							
Older People's Housing Strategy	(30.000)	0.000	13.897	(16.103)	0.000	0.000	(16.103)
Telecare	0.000	(1.500)	0.000	(1.500)	0.000	1.500	0.000
Pump Priming	(3.807)	0.000	3.807	0.000	0.000	0.000	0.000
Other reserves	(0.046)	(0.158)	0.165	(0.039)	(0.093)	0.113	(0.019)
Sub Total	**(33.853)**	**(1.658)**	**17.869**	**(17.642)**	**(0.093)**	**1.613**	**(16.122)**
Clean Growth and Regeneration							
Regeneration Kick-Start Feasibility Fund	0.000	0.000	0.000	0.000	(2.000)	0.638	(1.362)
Vision Derbyshire Economic Development Pilot	0.000	0.000	0.000	0.000	(1.000)	0.113	(0.887)
Markham Environment Centre	(0.114)	0.000	0.000	(0.114)	0.000	0.000	(0.114)
Other reserves	(0.582)	(0.063)	0.139	(0.506)	(0.006)	0.104	(0.408)
Sub Total	**(0.696)**	**(0.063)**	**0.139**	**(0.620)**	**(3.006)**	**0.855**	**(2.771)**
Corporate Services and Budget							
Revenue Contributions to Capital	(28.295)	(18.901)	2.612	(44.584)	(20.478)	14.228	(50.834)
Loan Modification Gains	(26.124)	0.000	0.870	(25.254)	0.000	1.024	(24.230)
Insurance and Risk Management	(20.084)	(0.026)	3.006	(17.104)	(0.047)	1.114	(16.037)
Budget Management	(16.431)	(9.302)	13.816	(11.917)	(20.854)	17.137	(15.634)
Covid Emergency and SFC Losses Grants	0.000	(47.387)	36.139	(11.248)	(16.810)	12.688	(15.370)
Post-Covid Funding Risks	0.000	0.000	0.000	0.000	(14.000)	0.000	(14.000)
Covid-19 Recovery Fund	0.000	(15.000)	0.000	(15.000)	0.000	3.938	(11.062)
Business Rates Pool	(4.672)	(1.629)	0.000	(6.301)	(2.248)	0.155	(8.394)
Planned Building Maintenance	(5.275)	(2.148)	0.870	(6.553)	(0.279)	1.210	(5.622)
Computer Purchasing	(2.828)	(0.056)	0.034	(2.850)	(0.813)	0.393	(3.270)
Property Insurance Maintenance Pool	(2.713)	(1.509)	1.225	(2.997)	(1.481)	1.723	(2.755)
Prior Year Underspends	(3.986)	(2.009)	3.117	(2.878)	(1.326)	1.642	(2.562)
Investment Losses Contingency	0.000	(2.500)	0.000	(2.500)	0.000	0.000	(2.500)
PFI Reserves	(2.341)	(0.146)	0.507	(1.980)	(0.335)	0.693	(1.622)
Exchequer Traded Services Risks	(0.850)	0.000	0.000	(0.850)	(0.234)	0.015	(1.069)
Business Rates Strategic Investment Fund	(1.013)	(0.975)	0.000	(1.988)	0.000	1.056	(0.932)
Change Management	(1.807)	0.000	0.644	(1.163)	0.000	0.629	(0.534)
Property DLO	(2.110)	(0.358)	1.044	(1.424)	(0.134)	1.221	(0.337)
Covid-19 Tax Income Guarantee Grant	0.000	(1.267)	0.000	(1.267)	0.000	1.267	0.000
Business Rates Relief Grant	(5.000)	0.000	5.000	0.000	0.000	0.000	0.000
Uninsured Financial Losses	(3.500)	0.000	3.500	0.000	0.000	0.000	0.000
Other reserves	(4.843)	(2.903)	2.780	(4.966)	(2.233)	3.921	(3.278)
Sub Total	**(131.872)**	**(106.116)**	**75.164**	**(162.824)**	**(81.272)**	**64.054**	**(180.042)**

	1 Apr 2020 £m	Transfers In £m	Transfers Out £m	31 Mar 2021 £m	Transfers In £m	Transfers Out £m	31 Mar 2022 £m
Childrens Services and Safeguarding and Education							
Schools Balances	(23.897)	(12.781)	1.753	(34.925)	(7.268)	3.849	(38.344)
Tackling Troubled Families	(3.894)	(1.755)	1.831	(3.818)	(1.781)	1.533	(4.066)
Childrens Services IT Systems	(0.706)	0.000	0.049	(0.657)	0.000	0.213	(0.444)
Primary Teacher Pooled Premiums	(0.465)	(0.652)	0.464	(0.653)	(0.267)	0.653	(0.267)
High Needs Strategic Funding	(0.229)	0.000	0.010	(0.219)	0.000	0.029	(0.190)
Foster Carer Adaptations	(0.295)	0.000	0.241	(0.054)	(0.123)	0.000	(0.177)
Prior Year Underspends	0.000	(0.302)	0.067	(0.235)	0.000	0.069	(0.166)
Dedicated Schools Grant (DSG)	(0.187)	(0.075)	0.262	0.000	(1.023)	1.023	0.000
Other reserves	(2.378)	(1.017)	2.119	(1.276)	(0.278)	1.054	(0.500)
Sub Total	**(32.051)**	**(16.582)**	**6.796**	**(41.837)**	**(10.740)**	**8.423**	**(44.154)**
Highways Assets and Transport							
Prior Year Underspends	(9.809)	(1.756)	0.264	(11.301)	(0.706)	1.679	(10.328)
Commuted Highways Maintenance	(1.137)	(0.573)	0.000	(1.710)	0.000	0.000	(1.710)
Highway Development Control Interface	0.000	0.000	0.000	0.000	(1.500)	0.000	(1.500)
Winter Maintenance	(2.000)	0.000	0.000	(2.000)	0.000	0.765	(1.235)
Derby and Derbyshire Road Safety Partnership Reserve	(0.632)	(0.003)	0.018	(0.617)	(0.044)	0.128	(0.533)
Road Safety Public Service Agreement (PSA)	(1.079)	0.000	0.227	(0.852)	0.000	0.489	(0.363)
Other reserves	(1.419)	(0.165)	0.347	(1.237)	0.000	0.130	(1.107)
Sub Total	**(16.076)**	**(2.497)**	**0.856**	**(17.717)**	**(2.250)**	**3.191**	**(16.776)**
Health and Communities							
Public Health Grant	(7.424)	(1.108)	0.000	(8.532)	0.000	0.440	(8.092)
Covid Test and Trace Grant	0.000	(3.385)	0.000	(3.385)	0.000	0.160	(3.225)
Covid Practical Support Funding	0.000	0.000	0.000	0.000	(1.314)	0.000	(1.314)
Domestic Abuse	(2.142)	0.000	0.520	(1.622)	(0.003)	0.521	(1.104)
Prior Year Underspends	0.000	0.000	0.000	0.000	(0.807)	0.000	(0.807)
Other reserves	(0.719)	(1.522)	0.010	(2.231)	(0.165)	1.610	(0.786)
Sub total	**(10.285)**	**(6.015)**	**0.530**	**(15.770)**	**(2.289)**	**2.731**	**(15.328)**
Infrastructure and Environment							
Digital Growth	0.000	0.000	0.000	0.000	(2.340)	0.000	(2.340)
Waste Recycling Initiatives	(0.598)	0.000	0.000	(0.598)	(0.100)	0.000	(0.698)
Elvaston Maintenance	(0.059)	(0.139)	0.000	(0.198)	(0.073)	0.000	(0.271)
Other reserves	(0.505)	(0.023)	0.146	(0.382)	(0.012)	0.135	(0.259)
Sub Total	**(1.162)**	**(0.162)**	**0.146**	**(1.178)**	**(2.525)**	**0.135**	**(3.568)**
Strategic Leadership, Culture and Tourism							
Green Entrepreneurs	0.000	0.000	0.000	0.000	(2.000)	0.096	(1.904)
Community Managed Libraries	(0.742)	0.000	0.000	(0.742)	0.000	0.000	(0.742)
Policy and Research	(0.715)	0.000	0.055	(0.660)	0.000	0.000	(0.660)
Library Restructure	(0.429)	0.000	0.000	(0.429)	0.000	0.000	(0.429)
County Records	(0.049)	0.000	0.000	(0.049)	(0.238)	0.000	(0.287)
Derwent Valley Mills World Heritage Site	(0.176)	(0.035)	0.022	(0.189)	(0.038)	0.000	(0.227)
Other reserves	(1.031)	(0.246)	0.429	(0.848)	(0.044)	0.567	(0.325)
Sub Total	**(3.142)**	**(0.281)**	**0.506**	**(2.917)**	**(2.320)**	**0.663**	**(4.574)**
Overall Totals	**(229.137)**	**(133.374)**	**102.006**	**(260.505)**	**(104.495)**	**81.665**	**(283.335)**

23. UNUSABLE RESERVES

The balance of unusable reserves is made up of a number of adjustment accounts, none of which are available to finance future spending. The reserves that make up the balance are detailed below.

Restated 31 Mar 2020 £m	Restated 31 Mar 2021 £m		31 Mar 2022 £m
767.817	712.056	Revaluation Reserve	787.970
521.130	445.055	Capital Adjustment Account	411.876
(5.107)	(4.840)	Financial Instruments Adjustment Account	(4.562)
(10.108)	(3.736)	Pooled Investments Adjustment Account	1.556
0.824	1.087	Deferred Capital Receipts Reserve	0.579
(656.982)	(1,024.523)	Pensions Reserve	(811.883)
5.822	(9.142)	Collection Fund Adjustment Account	(0.076)
0.000	(1.157)	DSG Adjustment Account	(5.050)
(6.452)	(8.313)	Accumulated Absences Account	(7.521)
616.944	**106.487**	**Balance at 31 March**	**372.889**

The prior year restatements are explained at Note 4.

The movements in unusable reserves in 2021-22 are detailed below.

		Restated Unusable reserves									
Narrative	Note	Deferred Capital Receipts £m	Revaluation Reserve £m	Capital Adjustment Account £m	Pooled Investments Adjustment Account £m	Financial Instruments Adjustment Account £m	Accumulated Absences Account £m	Collection Fund Adjustment Account £m	DSG Adjustment Account £m	Restated Pensions Reserve £m	Restated Total Unusable Reserves £m
RESTATED BALANCE AT 31 MARCH 2021		**(1.087)**	**(712.056)**	**(445.056)**	**3.735**	**4.840**	**8.315**	**9.142**	**1.157**	**1,024.523**	**(106.487)**
Comprehensive Income & Expenditure		**0.000**	**(122.772)**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**(304.953)**	**(427.725)**
Adjustments between accounting basis and funding basis											
Depreciation of Non-Current Assets	14	0.000	13.916	27.217	0.000	0.000	0.000	0.000	0.000	0.000	41.133
Impairment of Non-Current Assets	14	0.000	0.000	24.085	0.000	0.000	0.000	0.000	0.000	0.000	24.085
Application of Capital Grants credited to the CIES	39	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Disposal of Non-Current Assets	14	(0.375)	32.942	34.167	0.000	0.000	0.000	0.000	0.000	0.000	66.734
Revenue Expenditure Funded from Capital Under Statute		0.000	0.000	15.697	0.000	0.000	0.000	0.000	0.000	0.000	15.697
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		0.000	0.000	0.000	0.000	0.000	(0.792)	0.000	0.000	0.000	(0.792)
Amount by which Council Tax and Business Rates income credited to the CIES is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements		0.000	0.000	0.000	0.000	0.000	0.000	(9.065)	0.000	0.000	(9.065)

Reversal of items relating to retirement benefits debited or credited to the CIES	48	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	156.729	156.729
Statutory provision for the financing of capital investment		0.000	0.000	(11.805)	0.000	0.000	0.000	0.000	0.000	0.000	(11.805)
Principal repayments of transferred debt		0.000	0.000	(0.006)	0.000	0.000	0.000	0.000	0.000	0.000	(0.006)
Capital expenditure charged in the year to the General Reserve		0.000	0.000	(0.363)	0.000	0.000	0.000	0.000	0.000	0.000	(0.363)
Reversal of gains/losses on pooled investment funds measured at FVPL charged	21	0.000	0.000	0.000	(5.292)	0.000	0.000	0.000	0.000	0.000	(5.292)
Amount by which finance costs (proportion of previous years' premiums) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	21	0.000	0.000	0.000	0.000	(0.278)	0.000	0.000	0.000	0.000	(0.278)
Amount by which finance costs (capital loan impairments) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	21	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Employer's pension contributions and direct payments to pensioners payable in the year	48	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	(64.416)	(64.416)
Deferred Capital Receipts becoming usable		0.883	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.883
Dedicated Schools Grant (DSG) closing deficit balance	38	0.000	0.000	0.000	0.000	0.000	0.000	0.000	3.893	0.000	3.893
Financing of capital expenditure	17	0.000	0.000	(55.813)	0.000	0.000	0.000	0.000	0.000	0.000	(55.813)
Adjustments between accounting basis and funding basis		**0.508**	**46.858**	**33.179**	**(5.292)**	**(0.278)**	**(0.792)**	**(9.065)**	**3.893**	**92.313**	**161.324**
Reserves movements											
Transfer to Earmarked Reserves	29	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Transfer from Earmarked Reserves	29	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total movements		**0.508**	**46.858**	**33.179**	**(5.292)**	**(0.278)**	**(0.792)**	**(9.065)**	**3.893**	**92.313**	**161.324**
BALANCE AT 31 MARCH 2022		**(0.579)**	**(787.970)**	**(411.877)**	**(1.557)**	**4.562**	**7.523**	**0.077**	**5.050**	**811.883**	**(372.888)**

The restated movements in unusable reserves in 2020-21 are detailed below.

		Restated Unusable reserves									
Narrative	**Note**	**Deferred Capital Receipts**	**Revaluation Reserve**	**Capital Adjustment Account**	**Pooled Investments Adjustment Account**	**Financial Instruments Adjustment Account**	**Accumulated Absences Account**	**Collection Fund Adjustment Account**	**DSG Adjustment Account**	**Restated Pensions Reserve**	**Restated Total Unusable Reserves**
		£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
RESTATED BALANCE AT 31 MARCH 2020		**(0.824)**	**(767.817)**	**(521.132)**	**10.108**	**5.107**	**6.454**	**(5.821)**	**0.000**	**656.982**	**(616.943)**
Restated Comprehensive Income & Expenditure		**0.000**	**(9.589)**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**336.554**	**326.965**
Restated Adjustments between accounting basis and funding basis											
Depreciation of Non-Current Assets	14	0.000	13.701	27.236	0.000	0.000	0.000	0.000	0.000	0.000	40.937
Impairment of Non-Current Assets	14	0.000	0.000	24.091	0.000	0.000	0.000	0.000	0.000	0.000	24.091
Application of Capital Grants credited to the CIES	39	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Disposal of Non-Current Assets	14	(0.269)	51.649	99.932	0.000	0.000	0.000	0.000	0.000	0.000	151.312
Revenue Expenditure Funded from Capital Under Statute		0.000	0.000	15.569	0.000	0.000	0.000	0.000	0.000	0.000	15.569
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		0.000	0.000	0.000	0.000	0.000	1.861	0.000	0.000	0.000	1.861
Amount by which Council Tax and Business Rates income credited to the CIES is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements		0.000	0.000	0.000	0.000	0.000	0.000	14.963	0.000	0.000	14.963

Restated Reversal of items relating to retirement benefits debited or credited to the CIES	48	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	94.573	94.573
Statutory provision for the financing of capital investment		0.000	0.000	(13.849)	0.000	0.000	0.000	0.000	0.000	0.000	(13.849)
Principal repayments of transferred debt		0.000	0.000	(0.006)	0.000	0.000	0.000	0.000	0.000	0.000	(0.006)
Capital expenditure charged in the year to the General Reserve		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Reversal of gains/losses on pooled investment funds measured at FVPL charged to the CIES	21	0.000	0.000	0.000	(6.373)	0.000	0.000	0.000	0.000	0.000	(6.373)
Amount by which finance costs (proportion of previous years' premiums) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	21	0.000	0.000	0.000	0.000	(0.267)	0.000	0.000	0.000	0.000	(0.267)
Amount by which finance costs (capital loan impairments) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	21	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Employer's pension contributions and direct payments to pensioners payable in the year	48	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	(63.586)	(63.586)
Capital receipts from Finance Lease Debtors	45	0.006	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.006
Dedicated Schools Grant (DSG) closing deficit balance	38	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.157	0.000	1.157
Financing of capital expenditure	17	0.000	0.000	(76.897)	0.000	0.000	0.000	0.000	0.000	0.000	(76.897)
Restated Adjustments between accounting basis and funding basis		**(0.263)**	**65.350**	**76.076**	**(6.373)**	**(0.267)**	**1.861**	**14.963**	**1.157**	**30.987**	**183.491**
Reserves movements											
Transfer to Earmarked Reserves	29	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Transfer from Earmarked Reserves	29	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total movements		**(0.263)**	**65.350**	**76.076**	**(6.373)**	**(0.267)**	**1.861**	**14.963**	**1.157**	**30.987**	**183.491**
RESTATED BALANCE AT 31 MARCH 2021		**(1.087)**	**(712.056)**	**(445.056)**	**3.735**	**4.840**	**8.315**	**9.142**	**1.157**	**1,024.523**	**(106.487)**

The restated movements in unusable reserves in 2019-20 are detailed below.

Narrative	Note	Deferred Capital Receipts	Revaluation Reserve	Capital Adjustment Account	Pooled Investments Adjustment Account	Financial Instruments Adjustment Account	Accumulated Absences Account	Collection Fund Adjustment Account	DSG Adjustment Account	Restated Pensions Reserve	Restated Total Unusable Reserves
		Restated Unusable reserves									
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
BALANCE AT 31 MARCH 2019		**(0.655)**	**(826.988)**	**(605.363)**	**1.756**	**5.351**	**7.952**	**(2.740)**	**0.000**	**935.258**	**(485.429)**
Restated Comprehensive Income & Expenditure		**0.000**	**(48.786)**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**(350.276)**	**(399.062)**
Adjustments between accounting basis and funding basis											
Depreciation of Non-Current Assets	14	0.000	15.735	26.867	0.000	0.000	0.000	0.000	0.000	0.000	42.602
Impairment of Non-Current Assets	14	0.000	0.000	12.055	0.000	0.000	0.000	0.000	0.000	0.000	12.055
Application of Capital Grants credited to the CIES	39	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Disposal of Non-Current Assets	14	(0.176)	92.222	86.146	0.000	0.000	0.000	0.000	0.000	0.000	178.192
Revenue Expenditure Funded from Capital Under Statute		0.000	0.000	23.254	0.000	0.000	0.000	0.000	0.000	0.000	23.254
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		0.000	0.000	0.000	0.000	0.000	(1.498)	0.000	0.000	0.000	(1.498)
Amount by which Council Tax and Business Rates income credited to the CIES is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements		0.000	0.000	0.000	0.000	0.000	0.000	(3.081)	0.000	0.000	(3.081)

Reversal of items relating to retirement benefits debited or credited to the CIES	48	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	132.696	132.696
Statutory provision for the financing of capital investment		0.000	0.000	(10.948)	0.000	0.000	0.000	0.000	0.000	0.000	(10.948)
Principal repayments of transferred debt		0.000	0.000	0.068	0.000	0.000	0.000	0.000	0.000	0.000	0.068
Capital expenditure charged in the year to the General Reserve		0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Reversal of gains/losses on pooled investment funds measured at FVPL charged to the CIES	21	0.000	0.000	0.000	8.352	0.000	0.000	0.000	0.000	0.000	8.352
Amount by which finance costs (proportion of previous years' premiums) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	21	0.000	0.000	0.000	0.000	(0.244)	0.000	0.000	0.000	0.000	(0.244)
Amount by which finance costs (capital loan impairments) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	21	0.000	0.000	1.139	0.000	0.000	0.000	0.000	0.000	0.000	1.139
Employer's pension contributions and direct payments to pensioners payable in the year	48	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	(60.696)	(60.696)
Capital receipts from Finance Lease Debtors	45	0.007	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.007
Financing of capital expenditure	17	0.000	0.000	(54.350)	0.000	0.000	0.000	0.000	0.000	0.000	(54.350)
Adjustments between accounting basis and funding basis		**(0.169)**	**107.957**	**84.231**	**8.352**	**(0.244)**	**(1.498)**	**(3.081)**	**0.000**	**72.000**	**267.548**
Reserves movements											
Transfer to Earmarked Reserves	29	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Transfer from Earmarked Reserves	29	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total movements		**(0.169)**	**107.957**	**84.231**	**8.352**	**(0.244)**	**(1.498)**	**(3.081)**	**0.000**	**72.000**	**267.548**
RESTATED BALANCE AT 31 MARCH 2020		**(0.824)**	**(767.817)**	**(521.132)**	**10.108**	**5.107**	**6.454**	**(5.821)**	**0.000**	**656.982**	**(616.943)**

Revaluation Reserve
The reserve contains only revaluation gains accumulated since 1 April 2007, this being the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance in the Capital Adjustment Account.

	Note	Carrying Value £m	Revaluation Reserve £m
31 March 2022			
Property, Plant and Equipment	14	1,696.787	727.917
Heritage Assets	15	63.423	58.619
Assets Held for Sale	19	2.396	1.434
		1,762.606	**787.970**
31 March 2021			
Property, Plant and Equipment	14	1,623.077	667.114
Heritage Assets	15	47.872	43.297
Assets Held for Sale	19	2.896	1.645
		1,673.845	**712.056**

Capital Adjustment Account
This reserve includes timing differences arising between the financing of purchasing new, or enhancing, Council assets and the utilising of those assets in the Council's accounts (known as depreciation). It is not available for future spending.

Financial Instruments Adjustment Account
The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the account to manage premiums paid and discounts received on early redemption of loans. Premiums are debited and discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of General Reserve to the account in the Movement in Reserves Statement. Over time, the expense is posted back to General Reserve in accordance with statutory arrangements for spreading the burden on Council Tax. In the Council's case, the balance on the Account at 31 March will be charged to the General Reserves over the next 40 years.

Pooled Investments Adjustment Account
The Pooled Investments Adjustment Account contains the cumulative gains and losses relating to the valuation of financial assets held at Fair Value through Profit or Loss in accordance with the temporary statutory override MHCLG has issued, effective for financial years 2018-19 to 2022-23.

Deferred Capital Receipts Reserve
The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

Pensions Reserve
The Pensions Reserve absorbs the timing differences from the different arrangements for accounting for post-employment benefits and funding benefits in accordance with statute. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as benefits are earned by employees, updating the liabilities to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require a benefit earned to be financed as the Council makes employer's contributions or pays any pensions for which it is directly responsible. The debit balance on the Reserve therefore shows a shortfall in the benefits earned by employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Collection Fund Adjustment Account
The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as they fall due from Council Tax and Business Rates payers, compared with the statutory arrangements for paying across amounts to the General Reserve from the Collection Funds.

Dedicated Schools Grant (DSG) Adjustment Account
The Dedicated Schools Grant (DSG) Adjustment Account separates schools' budget deficits from the General Reserve Balance for a period of three financial years from 2020-21. Deficits arise where schools' budget expenditure exceeds that of available funding provided through the DSG. Where a local authority has a closing deficit balance on its schools' budget at 31 March 2021, 31 March 2022 or 31 March 2023, it must not charge the amount of that deficit to a revenue account. The local authority must record any such deficit in a separate account established solely for the purpose of recording deficits relating to its schools' budget. The DSG Adjustment Account carries forward the deficit to be funded from future DSG income.

Accumulated Absences Account
The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Reserve Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Reserve Balance is neutralised by transfers to or from the account.

24. EXTERNAL AUDIT COSTS

2020-21 £m		2021-22 £m
	Audit Fees	
0.097	External Audit Fees	0.097
0.018	External Audit Fees - Additional Fees for Prior Year	0.032
0.004	External Audit Fees - Teachers' Pension Scheme	0.004
0.119		**0.133**

25. MEMBERS' ALLOWANCES

Payments made to the Council's elected Members during the year were:

2020-21 £m		2021-22 £m
1.074	Allowances	1.143
0.002	Expenses	0.012
1.076		**1.155**

26. OFFICERS' REMUNERATION

The definition of senior officer is:

- An officer whose salary is £150,000 or more.
- A statutory chief officer as per section 2(6) of the Local Government and Housing Act 1989.
- A non-statutory chief officer as per section 2(7) of the Local Government and Housing Act 1989.
- An officer reporting to the Head of Paid Service.

The following changes in respect of the Council's Senior Officers occurred during 2020-21 and 2021-22 and are relevant to the table of remuneration paid to the Council's Senior Officers below:

- [1]The Executive Director of Childrens' Services left the Council on 4 October 2021.
- [2]The new Executive Director of Childrens' Services commenced this employment on 6 December 2021.
- [3]The Executive Director of Commissioning, Communities and Policy became the Managing Executive Director, Commissioning, Communities and Policy on 1 January 2021, and then became the Managing Director on 6 December 2021.
- [4]The former Executive Director of Economy, Transport & Environment left the Council on 31 August 2020.

- [5]The Interim Director of Economy, Transport & Environment commenced this employment on 3 August 2020 and left the Council on 31 May 2021. This director's services were provided through an agency and the Council has been unable to obtain their P60 to establish their actual income for 2021-22. As an approximation, the Council has therefore apportioned these agency costs using known prior year ratios.
- [6]The Executive Director of Place commenced this employment on 17 May 2021.
- [7]The Director of Finance and ICT became the Interim Executive Director of Corporate Services & Transformation (Section 151 Officer) on 10 January 2022.
- [8]The Director of Community Services left the Council on 6 April 2021.
- [9]The Director of Legal and Democratic Services commenced this employment on 7 December 2020.
- [10]The Acting Director of Legal and Democratic Services left the Council on 31 December 2020.
- [11]The Director of Organisation, Development and Policy and the Director of Property no longer reported directly to the Head of Paid Service from 10 January 2022, and as a result their 2021-22 remuneration disclosed in the table only reflects the period up to that date.

2020-21					2021-22			
Salary	Restated Employer's Pension Contributions	Compensation for Loss of Employment	**Restated Total Remuneration 2020-21**		Salary	Employer's Pension Contributions	Compensation for Loss of Employment	**Total Remuneration 2021-22**
£	£	£	**£**		£	£	£	**£**
122,574	18,999	0	**141,572**	Executive Director of Adult Social Care and Health	127,403	19,747	0	**147,151**
129,655	20,097	0	**149,751**	Executive Director of Children's Services[1]	66,861	10,364	0	**77,225**
0	0	0	**0**	Executive Director of Children's Services[2]	41,141	6,377	0	**47,518**
134,880	20,906	0	**155,786**	Managing Executive Director, Commissioning, Communities and Policy[3]	102,511	15,889	0	**118,400**
0	0	0	**0**	Managing Director[3]	53,693	8,322	0	**62,016**
54,147	0	0	**54,147**	Executive Director of Economy, Transport & Environment[4]	0	0	0	**0**
82,903	0	0	**82,903**	Interim Director of Economy, Transport & Environment[5]	19,040	0	0	**19,040**
0	0	0	**0**	Executive Director of Place[6]	114,973	17,821	0	**132,794**
101,644	15,755	0	**117,399**	Director of Finance and ICT[7]	78,971	12,240	0	**91,211**
0	0	0	**0**	Interim Executive Director of Corporate Services & Transformation (Section 151 Officer)[7]	27,917	4,327	0	**32,244**
100,874	20,861	0	**121,735**	Director of Public Health	103,169	21,335	0	**124,504**
88,711	13,750	0	**102,461**	Director of Community Services[8]	1,232	191	0	**1,423**
29,310	4,543	0	**33,853**	Director of Legal and Democratic Services[9]	94,532	14,652	0	**109,185**
69,520	10,776	0	**80,295**	Acting Director of Legal and Democratic Services[10]	0	0	0	**0**
97,515	15,115	0	**112,630**	Director of Organisation, Development and Policy[11]	76,934	11,925	0	**88,859**
99,186	15,374	0	**114,560**	Director of Property[11]	78,545	12,174	0	**90,719**

The 2020-21 Employer's Pension Contributions in the Council's Senior Officers' Remuneration table above have been restated to only include the future service cost, which is the primary employer's pension contribution rate multiplied by the Senior Officer's pensionable pay. Previously these amounts had been disclosed at an equated rate designed to be inclusive of both future service and past service deficit costs. The 2021-22 Employer's Pension Contributions are stated at future service cost only.

The Council's employees earning above £50,000 during the year have been paid the following amounts:

2020-21 No of Employees					2021-22 No of Employees			
School Staff	Restated Senior Officers	Other	Restated Total	Remuneration Between:	School Staff	Senior Officers	Other	Total
152	1	93	**246**	£50,000 and £54,999	127	0	94	**221**
95	0	71	**166**	£55,000 and £59,999	105	0	58	**163**
77	0	19	**96**	£60,000 and £64,999	76	0	56	**132**
54	1	23	**78**	£65,000 and £69,999	63	1	17	**81**
23	0	4	**27**	£70,000 and £74,999	31	0	7	**38**
6	0	1	**7**	£75,000 and £79,999	7	0	1	**8**
6	0	2	**8**	£80,000 and £84,999	5	0	4	**9**
5	1	7	**13**	£85,000 and £89,999	2	0	1	**3**
2	0	2	**4**	£90,000 and £94,999	4	1	6	**11**
2	2	1	**5**	£95,000 and £99,999	2	0	2	**4**
0	2	1	**3**	£100,000 and £104,999	1	3	0	**4**
1	0	0	**1**	£105,000 and £109,999	1	1	1	**3**
0	0	0	**0**	£110,000 and £114,999	0	1	0	**1**
1	0	0	**1**	£115,000 and £119,999	1	0	0	**1**
0	1	0	**1**	£120,000 and £124,999	0	0	0	**0**
0	1	0	**1**	£125,000 and £129,999	0	1	0	**1**
0	1	0	**1**	£130,000 and £134,999	0	0	0	**0**
0	0	0	**0**	£155,000 and £159,999	0	1	0	**1**
424	**10**	**224**	**658**		**425**	**9**	**247**	**681**

Where the total annual salary received by employees that have held Senior Officers' roles at any point during the year exceeds £50,000, they have also been included in the table above, in addition to the Senior Officers' Remuneration table. The 2020-21 number of employees has been restated to include Senior Officers.

Remuneration includes gross income and compensation for loss of employment.

27. TERMINATION BENEFITS

The Council has terminated the contracts of a number of employees in 2021-22, incurring liabilities of £1.358m (2020-21: £0.944m). The termination benefits are split by banding below:

	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2020-21 actual	2021-22 actual	2020-21 actual	2021-22 actual	2020-21 actual	2021-22 actual	2020-21 actual	2021-22 actual
							£m	£m
£0-£20k	33	31	27	19	60	50	0.257	0.335
£20k-£40k	0	4	4	8	4	12	0.108	0.351
£40k-£60k	3	0	1	3	4	3	0.227	0.170
£60k-£80k	0	1	0	3	0	4	0.000	0.277
£80k - £100k	0	0	1	1	1	1	0.090	0.098
£100k-£150k	0	1	2	0	2	1	0.262	0.127
	36	**37**	**35**	**34**	**71**	**71**	**0.944**	**1.358**

28. POOLED BUDGETS

The Council has two pooled budget arrangements, details of which are set out below.

Better Care Fund

On 1 April 2015 the Derbyshire Better Care Fund (BCF) became operational.

Until 2019-20 the Council was partner to the fund along with NHS Northern Derbyshire Clinical Commissioning Group, NHS Southern Derbyshire Clinical Commissioning Group, NHS Hardwick Clinical Commissioning Group, NHS Erewash Clinical Commissioning Group and NHS Tameside and Glossop Clinical Commissioning Group.

From 2019-20 NHS Northern Derbyshire Clinical Commissioning Group, NHS Southern Derbyshire Clinical Commissioning Group, NHS Hardwick Clinical Commissioning Group and NHS Erewash Clinical Commissioning Group combined to become NHS Derby and Derbyshire Clinical Commissioning Group. The Council is now partner to the fund with NHS Derby and Derbyshire Clinical Commissioning Group and NHS Tameside and Glossop Clinical Commissioning Group.

The operation of the pool is ultimately managed by the Derbyshire Health and Wellbeing Board represented by members from each of the partners. The Fund operates as a Section 75 pooled budget and total agreed contributions to the pool are £108.604m (2020-21, £103.917m). Derbyshire County Council's contribution towards the pool is £44.838m, which represents 41.29% of the total contributions (2020-21, £44.227m, 42.56%).

The BCF aims to improve the provision of health and social care. All partners contribute to a pooled fund and the overarching objective of the fund is to support the integration of health and social care and align commissioning as agreed between the partners.

Under the agreement, the BCF Plan for Derbyshire is split into two areas:

- Contributions to a pooled fund by all partners and commissioned by Derbyshire County Council who are host and lead commissioner
- Commissioning of existing funded schemes directly by each partner.

2020-21 £m	Pool Share %	Income	2021-22 £m	Pool Share %
44.227	42.56	Derbyshire County Council	44.838	41.29
57.189	55.03	Derby and Derbyshire CCG	61.139	56.29
2.501	2.41	NHS Tameside and Glossop CCG	2.627	2.42
103.917	**100.00**		**108.604**	**100.00**

2020-21 £m	Expenditure	2021-22 £m
22.611	CCG schemes for community health services	23.759
7.898	Disabled Facilities Grant	7.898
6.380	Equipment	7.234
4.859	Reablement	9.861
8.465	Joint working	3.209
0.428	Administration	0.439
2.259	Care Bill	2.304
2.154	Carers	2.207
1.062	Mental health	1.089
13.104	Support for people to remain out of hospital	15.724
31.055	Improved Better Care Fund	31.055
3.627	Winter Pressures	3.627
103.902	**Total Expenditure**	**108.406**
0.015	**Net position for Pool**	**0.198**

Children with Complex Needs pooled budget arrangement

The Children with Complex Needs pooled budget arrangement is jointly operated with Derby and Derbyshire CCG. The CCG contributes 33% and the remainder is funded by the Council. Any surplus or deficit carries forward to offset the following year's contributions, as required by the partnership agreement. Any unspent amounts are transferred to an Earmarked Reserve set up for this purpose.

31 Mar 2021 £m		31 Mar 2022 £m
	Funding provided to the pooled budget:	
(4.740)	The Council	(4.824)
(2.335)	Derby and Derbyshire CCG	(2.376)
	Expenditure met by the pooled budget	
4.740	The Council	7.200
2.335	Derby and Derbyshire CCG	0.000
0.000	**(Surplus)/Deficit**	**(0.000)**
0.000	The Council's share of the (Surplus)/Deficit	(0.000)

36. TRUST FUNDS

Trust Funds are made up of donations or bequests made to the Council. These funds are not part of the Council's Accounts. Other funds include monies held for residents in the Council's residential care homes.

2020-21				2021-22		
Trust Funds £m	Other Funds £m	Total £m		Trust Funds £m	Other Funds £m	Total £m
1.471	3.868	5.339	Opening Balance	1.211	4.662	5.873
0.038	0.926	0.964	Add Income	0.031	1.423	1.454
(0.298)	(0.132)	(0.430)	Less Expenditure	(1.027)	(0.095)	(1.122)
1.211	**4.662**	**5.873**	**Closing Balance**	**0.215**	**5.990**	**6.205**
			The funds are represented by:			
0.023	0.000	0.023	Investments	0.025	0.000	0.025
1.188	4.662	5.850	Cash & temporary loans	0.190	5.990	6.180
1.211	**4.662**	**5.873**	**Total Assets**	**0.215**	**5.990**	**6.205**
11	8	19	No of Funds (actual not £m)	9	10	19

Cabinet approved the transfer of 47 educational charitable Trust Funds, for which the Council is the sole Trustee, to Foundation Derbyshire on 23 April 2020. 44 of these funds were completely transferred in 2020-21. The value of the funds transferred in 2020-21 was £0.295m, with a further £1.004m transferred in 2021-22. At 31 March 2022 the total value of the remaining funds to be transferred was £0.076m (31 March 2021: £1.062m).

37. INCOME FROM CONTRACTS WITH SERVICE RECIPIENTS

A service recipient is a party that has contracted with the Council to obtain goods or services which are the output of the Council's normal operating activities. Such a contract may be in writing, be made orally or be in accordance with customary business practice.

The table below identifies income amounts in the CIES arising from contracts with service recipients.

	Income	
Type of Goods/Service	**2020-21 £m**	**2021-22 £m**
Adult Care		
Residential Care Homes	27.884	30.609
Co-funding Charge	8.648	8.607
Nursing Homes	9.348	8.231
Shared Lives	0.538	0.578
Direct Care Trading	0.285	0.223
Other	0.199	0.191
Sub Total	**46.902**	**48.439**
Childrens Services and Safeguarding and Education		
Catering	6.453	8.483
School Food and Meals	2.429	4.471
Extended School Services	0.773	1.422
Sport/Outdoor Education	0.129	0.923
Other	2.070	2.586
Sub Total	**11.854**	**17.885**
Corporate Services and Budget		
PFI Services to Academies	4.893	5.451
Pension Fund Administration	2.837	2.802
Registrar Services	0.858	1.966
Property Repairs, Maintenance, Cleaning and Facilities Management	2.478	1.533
Legal Services	0.221	1.241
Human Resource Services	0.585	0.467
Recruitment and Payroll Services	0.317	0.436
Financial Management	0.000	0.369
ICT Support	0.196	0.293
Other	0.431	0.180
Sub Total	**12.816**	**14.738**

	Income	
Type of Goods/Service	2020-21 £m	2021-22 £m
Clean Growth and Regeneration		
Other	0.156	0.199
Sub Total	**0.156**	**0.199**
Health and Communities		
Other	0.051	0.118
Sub Total	**0.051**	**0.118**
Highways and Transport		
Inspection Fees (S38/S278 Highways Act)	2.977	3.448
Vehicle Maintenance	1.710	1.730
New Roads and Street Works Act Fees	0.943	1.384
Pay and Display Parking	0.901	0.929
Licence Fees (e.g. skip/scaffold permits)	0.598	0.805
Cross Boundary Bus Services	0.303	0.237
Highways & Lighting Works	0.115	0.250
Sale of Obsolete Vehicles	0.087	0.195
Highways Maintenance and Design	0.066	0.056
Other	0.213	0.455
Sub Total	**7.913**	**9.489**
Infrastructure and Environment		
Commercial Waste Disposal	1.760	2.178
Countryside Shop Merchandise	0.766	1.000
Land Searches	0.197	0.169
Other	0.219	0.206
Sub Total	**2.942**	**3.553**
Strategic Leadership, Culture, Tourism and Climate Change		
Other	(0.015)	0.172
Sub Total	**(0.015)**	**0.172**
Overall Total	**82.619**	**94.593**

Amounts included in the Balance Sheet for contracts with service recipients:

31 Mar 2021 £m		31 Mar 2022 £m
8.530	Receivables	9.211
0.271	Contract Assets	0.647
(2.461)	Contract Liabilities	(1.624)
6.340	**Total Included in Net Assets**	**8.234**

Receivables and Contract Assets are included within Amounts Owed to the Council in the Debtors analysis (Note 23).
Contract Liabilities are included within Income in Advance to the Council in the Creditors analysis (Note 25).

Changes in the Contract Assets and Contract Liabilities balances during the year are as follows:

2020-21			2021-22	
Contract Assets £m	**Contract Liabilities £m**		**Contract Assets £m**	**Contract Liabilities £m**
0.000	(2.461)	Cash received before obligations fulfilled	0.000	(1.624)
0.000	1.629	Obligations relating to contract liabilities at the start of the year fulfilled	0.000	2.461
0.271	0.000	Obligations fulfilled before payment is due	0.647	0.000
(0.298)	0.000	Transfers from Contract Assets to Receivables as payment became due	(0.271)	0.000
(0.027)	**(0.832)**	**Movement in Contract Assets and Liabilities**	**0.376**	**0.837**
0.298	(1.629)	Contract Assets and Liabilities at the start of the year	0.271	(2.461)
0.271	**(2.461)**	**Contract Assets and Liabilities at the end of the year**	**0.647**	**(1.624)**

The value of the Contract Liabilities presented at the end of the year represents the value of income that is expected to be recognised in the future, relating to obligations that are unsatisfied (or partially unsatisfied) at the end of the year. All amounts are expected to be realised no later than one year from the year ended 31 March 2022.

The Council only recognises income at an amount that corresponds directly with the value to the service recipients of the Council's performance to the end of the year.

Performance obligations are deemed to be satisfied over time, as opposed to at a point in time, in respect of the following significant income streams:

- Residential Care, Nursing Home and Co-funding charges
- PFI Services to Academies
- Pension Fund Administration

This is a faithful depiction as these services are delivered to and the benefits consumed by the service recipients simultaneously. The Council has a right to receive fixed payments from service users for each day of service provided, therefore it recognises income to the amount that it has the right to invoice according to the duration of the service provision.

Performance obligations are also deemed to be satisfied over time, as opposed to at a point in time, in respect of the following significant income streams:

- Property Repairs, Maintenance, Cleaning and Facilities Management

This is a faithful depiction as the Council has an enforceable right to receive income for performance completed to date. The Council recognises income based on the costs incurred to satisfy the performance obligations.

Performance obligations are also deemed to be satisfied over time, as opposed to at a point in time, in respect of the following significant income stream:

- Commercial Waste Disposal

This is a faithful depiction as the Council has an enforceable right to receive income for performance completed to date. The Council recognises income based on the volume of waste processed which fulfils the terms of these contracts.

Performance obligations are deemed to be satisfied at a point in time, in respect of the following significant income streams:

- Inspections under Section 38 and 278 of the Highways Act
- Catering and School Food and Meals
- Registrar Services

In respect of these services, income is only recognised when the contracted work has been completed.

38. DEDICATED SCHOOLS GRANT (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). The grant is ring-fenced and can only be applied to meet expenditure properly included in the Schools' Budget as defined in The School and Early Years Finance (England) Regulations 2020.

The Schools' Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools' Budget (ISB), which is divided into a budget share for each local authority school. An in-year adjustment has been made comprising an addition to the 2021-22 grant receipts for Early Years provision which is due to be received in 2022-23, following final calculation of the amount due from the Department for Education.

Actual central expenditure includes commitments that remain unspent as at the end of the financial year. These commitments have been transferred to an earmarked reserve and form part of the DSG balance. Details of the deployment of the DSG receivable for 2021-22 are as follows:

	2021-22		
	Central Expenditure £m	Individual Schools Budget £m	Total £m
Final DSG for 2021-22 before Academy and High Needs Recoupment			641.960
Academy and High Needs Recoupement for 2021-22			(268.528)
Total DSG after Academy and High Needs Recoupment for 2021-22			**373.432**
Less: Carry Forward to 2022-23 agreed in advance			0.193
Agreed initial budgeted distribution in 2021-22	**80.553**	**293.072**	**373.625**
In-year adjustments	0.205	0.000	0.205
Final budgeted distribution for 2021-22	**80.758**	**293.072**	**373.830**
Less: Actual Central Expenditure	(84.643)		(84.643)
Less: Actual ISB Deployed to Schools		(292.887)	(292.887)
In-year Carry Forward to 2022-23	**(3.885)**	**0.185**	**(3.700)**
Carry Forward to 2022-23 agreed in advance			(0.193)
In-year Carry Forward to 2022-23			(3.700)
Addition to DSG Unusable Reserve at 31 March 2022			**(3.893)**
DSG Unusable Reserve at 1 April 2021			(1.157)
Total DSG Unusable Reserve at 31 March 2022*			**(5.050)**
Net DSG Position at 31 March 2022			**(5.050)**

*The School and Early Years Finance (England) Regulations 2020 and Regulation 30L of The Local Authorities (Capital Finance and Accounting) require that the Council's closing deficit balance of DSG Reserves at 31 March 2022 is held within a statutorily ring-fenced unusable reserve – the DSG Adjustment Account. For further details refer to Note 30.

DSG grant income in Note 39 below is the sum of 'Total DSG after Academy and High Needs Recoupment for 2021-22 and the £0.205m 'In-year adjustment' in the table above.

39. GRANT INCOME

Revenue Grants		Income Restated* 2020-21 £m	Income 2021-22 £m
Dedicated Schools Grant (DSG)	ESFA	361.811	373.637
Public Health Grant	DHSC	42.175	42.607
Pupil Premium Grant	ESFA	18.812	18.676
Disabled Facilities Grant	DLUHC	7.898	7.898
Covid-19 Infection Control Fund Round 3	DHSC	0.000	5.990
EFA Post 16	ESFA	6.174	5.721
Public Health Contain Outbreak Management Fund	DHSC	1.124	5.539
Household Support Fund	DWP	0.000	5.404
Universal Free School Meals for Infant Pupils	ESFA	5.713	5.320
Covid-19 Infection Control Fund Round 1	DHSC	9.517	5.293
DACES SFA	ESFA	4.878	4.636
Workforce Recruit & Retention 2	DHSC	0.000	4.534
PE and Sport Premium Grant	ESFA	4.627	4.482
Covid-19 Infection Control Fund Round 2	DHSC	8.774	3.935
Covid Local Support Grant	DWP	0.000	2.566
Workforce Recruit & Retention 1	DHSC	0.000	2.456
Holiday Activities and Food Programme Grant	DfE	0.000	2.143
Covid-19 Bus Services Support Grant*	DfT	1.586	2.087
Asylum Seeker Grant	HO	1.526	1.896
Covid-19 Catch Up	ESFA	2.520	1.794
Supporting Families	DLUHC	1.756	1.781
Music Education Hub	Arts Council	1.419	1.417
Public Health Community Testing	DHSC	2.467	1.196
School Improvement Grant	ESFA	0.000	0.926
Bus Subsidy Grant*	DfT	0.897	0.897
Teachers Pension Grant	ESFA	10.645	0.648
Teachers Pay Grant	ESFA	3.440	0.230
Covid-19 Test & Trace	DHSC	3.859	0.000
Covid-19 Rapid Testing	DHSC	2.427	0.000
Covid-19 Worforce Capacity	DHSC	1.814	0.000
Covid-19 Winter Grant	DWP	2.939	(0.098)
Other Grants	Various	8.887	12.794
Total Departmental Income		**517.686**	**526.404**

Revenue Grants		Income Restated* 2020-21	Income 2021-22
		£m	£m
Covid-19 LA Support Grant	DLUHC	45.038	15.337
Improved Better Care Fund	DLUHC	34.682	34.682
Adult Social Care Grant	DHSC	21.941	27.617
Business Rates Relief Grant	DLUHC	7.185	15.365
Revenue Support Grant	DLUHC	13.738	13.813
Private Finance Initiative	ESFA	10.504	10.504
Local Council Tax Support Scheme	DLUHC	0.000	6.000
Independent Living Fund	DLUHC	2.534	2.534
New Homes Bonus	DLUHC	2.326	1.548
Covid-19 Sales, Fees and Charges	DLUHC	2.349	1.473
Other Grants	Various	7.305	3.868
Total Corporate Income		**147.602**	**132.741**
Total Revenue Grants		**665.288**	**659.145**

*Restated 2020-21 to disclose the Covid-19 Bus Services Support Grant separately from the Bus Subsidy Grant.

Capital Grants		Income/(Expenditure) Restated* 2020-21	Income/(Expenditure) 2021-22
		£m	£m
Getting Building Fund**	DLUHC	16.241	(15.988)
Pothole Action Fund	DfT	16.066	7.373
School Condition Allowance	EFA	10.476	10.636
Highways Maintenance Incentive Fund	DfT	3.181	10.533
Integrated Transport	DfT	3.644	3.672
Highways Capital Maintenance	DfT	15.273	2.633
Special Provision Capital Fund*	DfT	0.428	2.490
Devolved Formula Capital	DfE	1.547	1.601
Buxton Crescent & Thermal Spa Project	HLF	1.855	0.596
Woodville Swadlincote Regeneration Route	D2N2	6.400	0.000
Safer Roads Fund	DfT	5.619	0.000
A61 Corridor	Various	4.683	0.000
Ashbourne Airfield	Various	4.174	0.000
Public Sector Decarbonisation Grant***	BEIS	1.891	(1.530)
Active Travel Fund Tranche 2	DfT	1.347	0.000
Basic Need	EFA	1.099	0.000
Other Capital Grants	Various	12.169	15.773
Total Capital Grants		**106.093**	**37.789**

*Restated 2020-21 to disclose the Special Provision Capital Fund separately from Other Capital Grants.

**Using the freedom and flexibilities given to LEP Accountable Bodies, during 2020-21 the Council utilised Getting Building Fund underspends of £16.241m to fund its capital programme. In 2021-22 the Council repaid £15.988m of this funding to the LEP.

*** Underspent Public Sector Decarbonisation Grant of £1.530m, in respect of projects not completed by 31 March 2022, repayable to the Department for Business, Energy and Industrial Strategy (BEIS).

40. CASH FLOW – INVESTING ACTIVITIES

2020-21 £m		2021-22 £m
(89.650)	Purchase of Non-Current Assets	(113.201)
(996.800)	Purchase of New Investments	(618.969)
3.480	Proceeds from Sale of Non-Current Assets	10.039
106.096	Capital Grants Received	40.154
888.447	Investments Redeemed	557.566
(88.427)		**(124.412)**

41. CASH FLOW – FINANCING ACTIVITIES

2020-21 £m		2021-22 £m
(459.075)	Repay Amounts Borrowed	(156.506)
(4.327)	Principal Repayment on PFI and Leases	(4.560)
490.000	New Short Term Loans	209.000
26.598		**47.934**

42. CASH FLOW – OPERATING ACTIVITIES

2020-21 £m		2021-22 £m
(531.136)	Payments to and on behalf of employees	(533.911)
(687.973)	Other Operating Payments	(731.720)
345.793	Council Tax	348.821
20.575	Business Rates	14.570
13.738	Revenue Support Grant	13.813
633.546	Other Revenue Grants	629.458
276.807	Other Income	320.802
71.350	**Operating Costs of Providing Services**	**61.832**
(12.853)	External Interest Paid	(12.599)
(3.733)	Interest on PFI and Finance Leases	(3.495)
1.753	Interest Received	2.102
2.811	Dividends Received	3.208
59.327		**51.048**

43. RECONCILIATION OF NET SURPLUS/(DEFICIT) ON THE CIES TO THE OPERATING ACTIVITIES NET CASH FLOW

Restated 2020-21 £m		Note	2021-22 £m
(94.788)	**Surplus/(Deficit) on the Provision of Services**		**(169.443)**
	Non Cash Transactions:		
40.937	Depreciation	14	41.133
24.091	Impairment	14	24.085
30.989	Movement in Pension Liability	48	92.313
14.963	Adjustment for Collection Fund		(9.065)
(6.373)	Investments Fair Value Movements		(5.292)
(7.902)	Movement in Revenue Debtors		(2.128)
(0.375)	Movement in Loss Allowances		(1.966)
(2.661)	Movement in Revenue Creditors		41.002
0.389	Movement in Inventories	23	0.130
3.288	Movement in Provisions	27	(1.012)
97.346	**Total Non Cash Transactions**		**179.200**
	Items Classified Elsewhere		
147.295	Net charge for Disposal of Non-Current Assets	6	63.382
15.569	Revenue Expenditure Funded from Capital Under Statute	14	15.697
(106.093)	Capital Grants	40	(37.789)
59.329			**51.047**

The prior year restatement is explained at Note 4.

44. RECONCILIATION OF CASH FLOWS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES

	31 Mar 2021 £m	Cash Flows £m	Non-Cash Changes £m	31 Mar 2022 £m
Current Borrowing	90.058	39.484	7.326	136.868
Non Current Borrowing	243.715	13.010	(6.080)	250.645
PFI and Finance Lease Liabilities	59.832	(4.560)	(0.227)	55.045
	393.605	**47.934**	**1.019**	**442.558**

Non-cash changes to the Council's liabilities include an increase of £7.327m in the carrying value of current borrowing and an equal decrease in the carrying value of non-current borrowing to recognise amounts falling due within 12 months of the balance sheet date. Interest of £1.247m was accrued in the year which increased the carrying value of liabilities. The remaining non-cash transactions represent a reduction in carrying value of £0.228m because of a movement between these liabilities and short-term creditors and debtors.

	31 Mar 2020 £m	Cash Flows £m	Non-Cash Changes £m	31 Mar 2021 £m
Current Borrowing	59.007	31.045	0.006	90.058
Non Current Borrowing	242.566	(0.122)	1.271	243.715
PFI and Finance Lease Liabilities	64.394	(4.327)	(0.235)	59.832
	365.967	**26.596**	**1.042**	**393.605**

45. LEASE TYPE ARRANGEMENTS

FINANCE LEASES – COUNCIL AS LESSEE

The Council has a number of property assets that were acquired under finance leases. All assets are carried as Property, Plant and Equipment on the Balance Sheet. Note 14 shows the net value of assets held under Finance Leases.

The Minimum Lease Payments (MLP) are made up of the following:

2020-21 £m				2021-22 £m		
Interest	**Liability**	**MLP**		**Interest**	**Liability**	**MLP**
0.518	**0.394**	**0.912**	**Within 1 year**	**0.488**	**0.400**	**0.888**
1.758	1.474	3.232	1 to 5 years	1.637	1.281	2.918
2.807	2.771	5.578	More than 5 years	2.439	2.565	5.004
4.565	**4.245**	**8.810**	**Total Non-Current**	**4.076**	**3.846**	**7.922**
5.083	**4.639**	**9.722**		**4.564**	**4.246**	**8.810**

The MLP does not contain rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. Contingent rents on these assets are insignificant.

OPERATING LEASES – COUNCIL AS LESSEE

The Council has a number of property assets (within PPE) under operating leases for:

- Delivery of local education.
- Youth information and clubs.
- Community and environmental purposes.

- Miscellaneous use, including office accommodation.

The Council also has the following vehicles, plant or equipment under operating leases:
- Four minibuses (2020-21: none).

The MLP due under non-cancellable leases in future years in respect of these properties and vehicles will be payable over the following periods:

2020-21 £m				2021-22 £m		
PPE	PVE	Total		PPE	PVE	Total
0.942	0.000	0.942	Within 1 year	1.032	0.067	1.099
3.194	0.000	3.194	1 to 5 years	3.165	0.000	3.165
3.579	0.000	3.579	More than 5 years	4.391	0.000	4.391
7.715	**0.000**	**7.715**		**8.588**	**0.067**	**8.655**

A small number of properties were sub-let in 2021-22. The rental expenditure that was charged to the Net Cost of Services in relation to these assets was:

2020-21 £m		2021-22 £m
0.007	Minimum Lease Payment	0.016
(0.006)	Less: sub-lease income	(0.005)
0.001		**0.011**

FINANCE LEASES – COUNCIL AS LESSOR

The Council has three properties that have been leased out upon receipt of a premium. With respect to these leases, there is no further lease income to be received and therefore there is no debtor held in the accounts. Details of the properties currently leased out are:
- Grassmoor Golf Centre to Grassmoor Golf Ltd on a 1,000-year lease, which commenced in 2002 for a one-off payment of £230,000.
- Land at Welbeck Road to Old Bolsover Town Council on a 99-year lease, which commenced in 2020 for a one-off payment of £10,000.
- Unit C1 Holmewood Business Park to SBK Property Limited on a 99-year lease, which commenced in 2015 for a one-off payment of £300,000.

The Council also leases out the first-floor offices of Ripley Library to Derbyshire Healthcare NHS Foundation Trust for £14,000 each year and the Nursery School on Windermere Road, Newbold to Kidz Planet Limited for £12,000 each year. The rental income and the unguaranteed residual value of the asset, which relates to the estimated value of the property at the end of the lease (i.e. an estimated sale value), will be received over the following periods:

2020-21 £m					2021-22 £m			
Minimum Lease Payments	Unguaranteed Residual Value of Property	Gross Investment in the Lease	Unearned Finance Income		Minimum Lease Payments	Unguaranteed Residual Value of Property	Gross Investment in the Lease	Unearned Finance Income
0.022	0.000	**0.022**	0.014	Within 1 year	0.022	0.000	**0.022**	0.013
0.090	0.000	**0.090**	0.049	1 to 5 years	0.090	0.000	**0.090**	0.046
0.084	0.119	**0.203**	0.039	More than 5 years	0.061	0.119	**0.180**	0.029
0.196	**0.119**	**0.315**	**0.102**		**0.173**	**0.119**	**0.292**	**0.088**

The Council has no provisions for unrealised finance lease investments. The minimum lease payments do not contain rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

OPERATING LEASE – COUNCIL AS LESSOR

The Council leases out a number of property assets (PPE) under operating leases, including leases for:

- Economic development to provide suitable affordable accommodation for local businesses.
- Youth information and clubs.
- Community and environmental purposes.
- Siting electricity substations.

The minimum lease payments receivable under leases in future years are:

2020-21 £m				2021-22 £m		
Vehicles	Land & Building	Total		Vehicles	Land & Building	Total
0.000	0.717	0.717	Within 1 year	0.000	0.735	0.735
0.000	1.705	1.705	1 to 5 years	0.000	1.875	1.875
0.000	4.505	4.505	More than 5 years	0.000	4.487	4.487
0.000	**6.927**	**6.927**		**0.000**	**7.097**	**7.097**

The minimum lease payments do not contain rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

46. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

There are three PFI schemes in which private sector providers build and maintain accommodation for use by the Council:

- Phase 1 – in 2001 the Council signed a contract for two secondary schools at Tupton and Chapel-en-le Frith. They were completed and occupied in April 2003 under a 26-year contract. Tupton Hall School became an Academy on 1 October 2019.
- Phase 2 – during 2004-05 the Council signed a contract for two further secondary schools at Newbold and Long Eaton which became operational in February 2006 under a 26-year contract. Long Eaton School became an Academy on 1 April 2011. Newbold School became an Academy, known as Outwood Academy Newbold, on 1 January 2015.
- Phase 3 – Schools provided under the Building Schools for the Future (BSF) programme opened in November 2010 at Bolsover and Springwell (Staveley). These were designed and built as PFI schools and will be operated on a 25-year contract. Bolsover School became an Academy on 1 October 2012. Springwell Community School became an Academy on 1 March 2020.

Payments

The Council makes an agreed payment each year (the unitary charge) which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards.

Although the payments that are made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed.

During 2017-18, the Council undertook a refinancing exercise of the BSF PFI debt, which reduced the interest charge on the long-term debt. This resulted in a one-off financial benefit of approximately £2.100m for the Council. The term of the loan and service level elements of the agreement all remain the same.

The liability outstanding to pay the contractor for capital expenditure incurred is shown below.

	2020-21			2021-22		
	Ph 1	Ph 2	BSF	Ph 1	Ph 2	BSF
	£m	£m	£m	£m	£m	£m
Unitary Charge Paid						
Delivery of services	2.794	2.891	4.117	3.246	2.983	4.121
Interest Payment	1.121	1.325	0.741	1.028	1.247	0.702
Reduction to Liability	1.333	1.222	1.401	1.426	1.300	1.440
Unitary Charge Paid	**5.248**	**5.439**	**6.258**	**5.700**	**5.530**	**6.263**
Loan Liability B Fwd	(16.114)	(20.764)	(26.830)	(14.781)	(19.542)	(25.428)
Reduction to Liability	1.333	1.222	1.401	1.426	1.300	1.440
Loan Liability C Fwd	**(14.781)**	**(19.542)**	**(25.428)**	**(13.355)**	**(18.242)**	**(23.988)**
Liability in Creditors	(1.426)	(1.300)	(1.440)	(1.525)	(1.383)	(1.479)
Non Current Liabilities	(13.355)	(18.241)	(23.988)	(11.830)	(16.859)	(22.509)
Loan Liability C Fwd	**(14.781)**	**(19.542)**	**(25.428)**	**(13.355)**	**(18.242)**	**(23.988)**

Payments remaining to be made under the PFI contract at 31 March are as follows:

	2020-21			2021-22		
	Ph 1	Ph 2	BSF	Ph 1	Ph 2	BSF
	£m	£m	£m	£m	£m	£m
Within one year:						
Service charge	2.437	2.233	3.317	2.437	2.233	3.317
Interest element	1.028	1.247	0.702	0.929	1.164	0.662
Repayment of liability	1.426	1.300	1.440	1.525	1.383	1.479
Two to five years:						
Service charge	9.747	8.930	13.266	9.747	8.930	13.266
Interest element	3.050	4.104	2.399	2.579	3.716	2.229
Repayment of liability	6.767	6.085	6.168	7.237	6.474	6.338
Six to ten years:						
Service charge	7.508	11.163	16.583	5.071	10.898	16.583
Interest element	0.950	2.674	1.991	0.492	2.015	1.750
Repayment of liability	6.589	10.063	8.718	4.593	10.385	8.958
Eleven to fifteen years:						
Service charge	0.000	1.968	15.224	0.000	0.000	11.907
Interest element	0.000	0.117	0.706	0.000	0.000	0.455
Repayment of liability	0.000	2.093	9.104	0.000	0.000	7.213

All of the PFI schools will be handed back to the Council (or the Governors of the School for Academies) when the relevant contract expires. In the case of the Phase 1 schools this will be on 28 April 2029, for the Phase 2 schools it will be 12 February 2032 and for the BSF schools on 31 October 2035.

Under the terms of the agreements, the Council is able to terminate the agreements at any time. If this were due to a contractor default the Council is entitled to re-tender the contract, otherwise the contractors would be entitled to compensation. The Council has step in rights, if action needs to be taken in connection with the services provided by any of the contractors because of a serious risk to the health or safety of persons or to discharge a statutory duty; and/or because an emergency has arisen.

Property, Plant and Equipment

The schools are recognised on the Council's Balance Sheet, except those which are Academies. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 14.

47. DEFINED CONTRIBUTION PENSION SCHEMES

Teachers' Pension Scheme

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is a defined benefit scheme which is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2021-22 the Council paid £42.552m to Teachers' Pensions (2020-21: £43.393m) in respect of teachers' retirement benefits. During 2021-22 the Employer's Contribution rate for the Teachers' Pension Scheme was 23.68% (2020-21: 23.68%).

NHS Pension Scheme

Former NHS employees working in the Surestart and Public Health fields that moved to the Council in 2008 and 2013, respectively, and some Public Health staff employed since then, are members of the NHS Pension Scheme, administered by the Department of Health and Social Care. The Scheme provides these employees with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is a multi-employer defined benefit scheme which is unfunded, and the Department of Health and Social Care uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme, which is consistent with the NHS method of accounting.

In 2021-22 the Council paid £0.568m to the NHS Pension Scheme (2020-21: £0.625m) in respect of the retirement benefits of these Council employees. The Employer's Contribution rate during 2021-22 for the NHS Pension Scheme was 20.68%, with 14.38% continuing to be collected through the Council's payroll, an additional 2.5% collected from the Council through invoicing and the remaining 3.8% being funded by the Department of Health and Social Care (2020-21: 20.68%, with 14.38% continuing to be collected through the Council's payroll, an additional 2.5% collected from the Council through invoicing and the remaining 3.8% being funded by the Department of Health and Social Care). No further disclosures are required because of the immateriality of the information.

48. DEFINED BENEFIT SCHEME

The Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme (LGPS), administered by Derbyshire County Council – this is a funded defined benefit final salary scheme, meaning the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Reserve via the Movement in Reserves Statement.

Prior Period Adjustments

During 2021-22, the Actuary for the Derbyshire Pension Fund (Fund) advised the Council that it had identified an error in its allocation of Fund assets in the 2019 actuarial valuation of the Fund, affecting the Council and Derby City Council (Derby City).

The Actuary has identified that in its 2019 Fund actuarial valuation it had not applied all the required adjustments to reflect the agreed split of responsibility for the councils' deferred and pensioner members' benefits following the 1997 Local Government Reorganisation.

Overall Fund assets in the 2019 Fund actuarial valuation are as the Actuary intended but the split of assets is incorrect between the Council and Derby City, with the assets of the Council being understated, and the assets of Derby City being overstated by the same amount. In monetary terms, the amount that the Council's assets are understated in the 2019 Fund actuarial valuation is £52m, equivalent to 2.5% of the Council's overall asset value in the Fund at the 2019 valuation.

The misstatements have a material impact on the Council's CIES, Balance Sheet and Movement in Reserves Statement for 2019-20 and 2020-21 and on the Cash Flow Statement for 2020-21. The Council has therefore, in line with the CIPFA Code of Accounting Practice requirements, presented a CIES and Balance Sheet which reflect the required material retrospective restatements and this Note is restated accordingly. Full details of the impact of these restatements are given in Note 4.

Defined Benefit Transactions

The following defined benefit scheme transactions have occurred during the year:

	Notes/ Statement	LGPS			Teachers Pensions		
		Restated 2019-20 £m	Restated 2020-21 £m	2021-22 £m	2019-20 £m	2020-21 £m	2021-22 £m
Current service cost		117.012	88.511	139.209	0.000	0.000	0.000
Net interest cost	7	21.542	14.085	20.061	1.500	1.217	1.111
Past service costs & curtailments		1.057	0.400	0.816	0.000	0.000	0.000
Settlements		(8.415)	(9.640)	(4.468)	0.000	0.000	0.000
Benefits charged to the CIES		**131.196**	**93.356**	**155.618**	**1.500**	**1.217**	**1.111**
Remeasurement (gain)/loss		(343.532)	330.948	(303.020)	(6.744)	5.606	(1.933)
Total (Gain)/Loss		**(212.336)**	**424.304**	**(147.402)**	**(5.244)**	**6.823**	**(0.822)**
Movements in Reserves Statement:							
Reversal of charges made	30	(131.196)	(93.356)	(155.618)	(1.500)	(1.217)	(1.111)
Contributions - unfunded benefits	30	2.446	2.358	2.286	0.000	0.000	0.000
Employer's contributions payable	30	53.823	56.956	58.013	4.427	4.272	4.117

Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of the present value of defined benefit plan liabilities (the defined benefit obligation) of the Council, from the start to the end of the year:

	Funded liabilities: LGPS			Unfunded liabilities: Discretionary Benefits		
	2019-20 £m	2020-21 £m	2021-22 £m	2019-20 £m	2020-21 £m	2021-22 £m
Opening balance at 1 April	**3,014.575**	**2,600.059**	**3,360.078**	**64.712**	**55.041**	**57.592**
Current service cost	117.012	88.511	139.209	0.000	0.000	0.000
Interest cost	72.817	59.378	67.742	1.500	1.217	1.111
Contributions by participants	17.853	15.844	16.630	0.000	0.000	0.000
Remeasurement (gains)/losses	(520.996)	700.108	(169.254)	(6.744)	5.606	(1.933)
Benefits paid	(78.168)	(76.466)	(79.688)	0.000	0.000	0.000
Unfunded benefits paid	(2.446)	(2.358)	(2.286)	(4.427)	(4.272)	(4.117)
Effect of settlements	(21.645)	(25.398)	(12.339)	0.000	0.000	0.000
Past service costs	1.057	0.400	0.816	0.000	0.000	0.000
Closing balance at 31 March	**2,600.059**	**3,360.078**	**3,320.908**	**55.041**	**57.592**	**52.653**

The expected return on assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Reconciliation of the fair value of defined benefit plan Fund assets of the Council, from the start to the end of the year:

	LGPS		
	Restated 2019-20 £m	Restated 2020-21 £m	2021-22 £m
Opening balance at 1 April	**(2,144.029)**	**(1,998.118)**	**(2,393.147)**
Interest income	(51.275)	(45.293)	(47.681)
Other remeasurement loss/(gain)	177.464	(369.160)	(133.766)
Employer contributions	(53.823)	(56.956)	(58.013)
Contributions by participants	(17.853)	(15.844)	(16.630)
Benefits paid	78.168	76.466	79.688
Effect of settlements	13.230	15.758	7.871
Closing balance at 31 March	**(1,998.118)**	**(2,393.147)**	**(2,561.678)**

Scheme History

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) plan benefits. The total net liability of the LGPS of £759.230m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the LGPS will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the Fund Actuary;

- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

	Present Value of Liabilities:		Restated Present Value of Assets:	Restated (Surplus)/Deficit in the Scheme:		
	LGPS £m	Discretionary Benefits £m	LGPS £m	LGPS £m	Discretionary Benefits £m	Restated Total £m
2017-18	2,680.619	65.091	(2,046.874)	633.745	65.091	**698.836**
2018-19	3,014.575	64.712	(2,144.029)	870.546	64.712	**935.258**
Restated 2019-20	2,600.059	55.041	(1,998.118)	601.941	55.041	**656.982**
Restated 2020-21	3,360.078	57.592	(2,393.147)	966.931	57.592	**1,024.523**
2021-22	3,320.908	52.653	(2,561.678)	759.230	52.653	**811.883**

The total contributions expected to be made to the LGPS by the Council in the year to 31 March 2023 is £57.422m.

Basis for Estimating Assets and Liabilities
Liabilities have been assessed on an actuarial basis using the projected unit credit method, and an estimate of the pensions that will be payable in future years, dependant on assumptions including mortality rates and salary levels. Both the LGPS and Discretionary Benefits liabilities have been assessed by the Fund Actuary, with estimates for the Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2022.

The principal assumptions used by the Fund Actuary have been:

	2019-20	2020-21	2021-22
Mortality Assumptions:			
Longevity at 65 (current pensioners):			
-Men	21.6	21.3	21.3
-Women	23.7	23.9	24.3
Longevity at 65 (future pensioners):			
-Men	22.6	22.5	22.2
-Women	25.1	25.8	25.8
Inflation Rates:			
Increase in salaries (LGPS only)	2.6%	3.6%	4.2%
Increase in pensions	1.9%	2.9%	3.2%
Discounting scheme liabilities	2.3%	2.0%	2.7%

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below, showing the impact of a change:

At 31 March 2022:

	LGPS	
	Approximate Increase to Employer Liability %	Approximate Monetary Amount £m
0.1% decrease in real discount rate	2	60.469
1 year increase in Member life expectancy	4	132.836
0.1% increase in salary increase rate	0	7.674
0.1% increase in pension increase rate (CPI)	2	52.283

Restated at 31 March 2021:

	LGPS	
	Approximate Increase to Employer Liability %	Approximate Monetary Amount £m
0.1% decrease in real discount rate	2	63.937
1 year increase in Member life expectancy	4	134.403
0.1% increase in salary increase rate	0	6.136
0.1% increase in pension increase rate (CPI)	2	57.080

Restated at 31 March 2020:

	LGPS Approximate Increase to Employer Liability %	Approximate Monetary Amount £m
0.1% decrease in real discount rate	2	46.861
1 year increase in Member life expectancy	4	104.002
0.1% increase in salary increase rate	0	4.386
0.1% increase in pension increase rate (CPI)	2	42.064

The Fund Actuary has noted that in order to quantify the impact of a change in the financial assumptions used, the value of the scheme liabilities at 31 March 2022 has been calculated and compared on varying bases. The approach taken is consistent with that adopted to derive the IAS19 figures provided by the Fund Actuary for the accounts.

To quantify the uncertainty around life expectancy, the Fund Actuary has calculated the difference in cost to the Council, as a Fund employer, of a one-year increase in life expectancy. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of around 3-5%. In practice the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

These figures have been derived based on the membership profile of the Council, as a Fund Employer, as at the date of the most recent actuarial valuation.

The return on the Fund in market value terms for the period to 31 March 2022 is based on actual Fund returns as provided by the Administering Authority. The actual total return for the period from 1 April 2021 to 31 March 2022 is a gain of 7.5% (2020-21: 20.9% gain).

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2019-20 %	2020-21 %	2021-22 %
Equity investments	56.0	59.0	59.6
Debt instruments:			
Government bonds	10.0	8.0	8.4
Other bonds	16.0	15.0	14.8
Property	9.0	8.0	7.9
Cash and cash equivalents	6.0	6.0	4.5
Other assets	3.0	4.0	4.8
	100.0	**100.0**	**100.0**

History of Experience Gains and Losses
The actuarial gains identified as movements on the Pension Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities at the balance sheet date:

	LGPS		Teachers Pensions
	Restated Actuarial gain / (loss) on assets over total assets	Actuarial (gain) / loss on liabilities over total liabilities	Actuarial (gain) / loss on liabilities over total liabilities
2017-18	0.85%	(1.93%)	(0.94%)
2018-19	2.84%	7.55%	3.76%
Restated 2019-20	(8.88%)	(20.04%)	(12.25%)
2020-21	15.43%	20.84%	9.73%
2021-22	5.22%	(5.10%)	(3.67%)

Forecast for next year
At 31 March 2022 for 2022-23:

	Local Government Pension Scheme		Teachers Pensions	
	£m	£m	£m	£m
Projected service cost				
Estimated pay:	270.230		0.000	
Service cost (% of pay)	46.4%		n/a	
Implied service cost next year:		123.699		0.000
Net interest cost		21.379		1.365
Administration expenses		1.621		0.000
Total pension cost recognised		**146.699**		**1.365**
Projected employer contributions				
Normal contributions	(57.422)		(4.244)	
Total employer contributions next year		**(57.422)**		**(4.244)**
Current deficit		759.230		52.653
Projected deficit next year		**848.507**		**49.774**

Restated at 31 March 2021 for 2021-22:

	Restated Local Government Pension Scheme		Teachers Pensions	
	£m	£m	£m	£m
Projected service cost				
Estimated pay:	257.298		0.000	
Service cost (% of pay)	51.8%		n/a	
Implied service cost next year:		132.173		0.000
Net interest cost		20.089		1.109
Administration expenses		1.029		0.000
Total pension cost recognised		**153.291**		**1.109**
Projected employer contributions				
Normal contributions	(55.417)		(4.272)	
Total employer contributions next year		**(55.417)**		**(4.272)**
Current deficit		966.931		57.592
Projected deficit next year		**1,064.805**		**54.429**

Restated at 31 March 2020 for 2020-21:

	Restated Local Government Pension Scheme		Teachers Pensions	
	£m	£m	£m	£m
Projected service cost				
Estimated pay:	260.605		0.000	
Service cost (% of pay)	34.4%		n/a	
Implied service cost next year:		88.732		0.000
Net interest cost		14.203		1.215
Administration expenses		1.042		0.000
Total pension cost recognised		**103.977**		**1.215**
Projected employer contributions				
Normal contributions	(55.930)		(4.427)	
Total employer contributions next year		**(55.930)**		**(4.427)**
Current deficit		601.941		55.041
Projected deficit next year		**649.988**		**51.829**

49. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The annual Treasury Management Strategy outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

Detailed information can be found in the annual Capital Programme Approvals, Treasury Management and Capital Strategies for 2022-23 which is available on the Council's Derbyshire Democracy website under the Council meeting on 2 February 2022:
Agenda for Council on 2 February 2022 (democracy.derbyshire.gov.uk)

Credit risk

Credit risk is the potential for the Council to suffer loss due to another party defaulting on its financial obligations.

The Council's maximum exposure to credit risk is deemed to be the gross carrying amount of the financial assets held.

The Council defines default as a customer or borrower's failure to pay amounts owed to it. A counterparty is likely to be considered in default if:

- It is in administration, insolvency or winding up proceedings.
- It has entered into a scheme of arrangement with its creditors.
- It is in default on similar financial assets.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The financial institutions' credit ratings are monitored throughout the year and significant changes are reported to Cabinet. The Annual Investment Strategy also imposes a maximum sum to be invested and a maximum duration of each loan for counterparties.

It is the Council's policy to write-off any debt where all reasonable measures have been taken to recover the debt or after the Chief Financial Officer and the Director of Legal Services have established that the debt is irrecoverable due to bankruptcy or insolvency.

The Council's maximum exposure to credit risk in relation to its cash deposits, investments in banks and building societies and money market funds is £397.671m, all of which is deposited in the UK, except for £35.870m in global pooled funds. A risk of non-recovery applies to all of the Council's deposits, but there was no evidence at 31 March 2022 that this was likely to crystallise.

The Council's potential maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions is £30.192m. These financial assets include trade debtors (£29.305m), transferred debt (£0.036m), contract assets (£0.647m) and lease receivables (£0.204m). The Council recognised an allowance for credit losses which reduced the carrying amount of these financial assets by £2.073m. Customers for goods and services are vetted, taking into account their financial position, past experience and other factors. The Council does not generally allow credit for its trade debtors.

To determine whether there has been a significant increase in the credit risk of an investment, cash or cash equivalent the Council considers a range of factors including whether its credit rating has fallen below investment grade (BBB-), declining financial performance, a fall in the value of collateral or the quality of guarantees given and any adverse business or economic conditions impacting on the investment.

The profile of these assets by credit rating (AAA is the strongest credit rating) is as follows:

	AAA or equivalent £m	**AA or equivalent £m**	**A or equivalent £m**	**Rated Not Strong £m**	**Not Rated £m**	**Trade Debtors and Transferred Debt £m**	**Total £m**
Cash and cash equivalents	0.000	0.000	46.230	0.000	0.000	0.000	46.230
Investments	0.000	191.678	75.120	0.000	83.309	0.000	350.107
Trade Debtors and Transferred Debt	0.000	0.000	0.000	0.000	0.000	28.119	28.119
Total Net Carrying Amount	**0.000**	**191.678**	**121.350**	**0.000**	**83.309**	**28.119**	**424.456**

	AAA or equivalent £m	AA or equivalent £m	A or equivalent £m	Rated Not Strong £m	Not Rated £m	Trade Debtors and Transferred Debt £m	Total £m
Loss Allowance is measured at 12-month expected credit losses because:							
There has been no significant increase in credit risk since initial recognition	0.000	5.008	121.378	0.000	0.000	0.000	**126.386**
Loss Allowance is measured at lifetime expected credit losses because:							
Credit risk has increased significantly since initial recognition	0.000	0.000	0.000	0.000	13.059	0.000	**13.059**
Financial assets have become credit impaired	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Allowed under the simplified approach, i.e. Trade Debtors	0.000	0.000	0.000	0.000	0.000	27.163	**27.163**
No Loss Allowance as relevant statutory provisions prevent default:							
Counterparty is Central Government or another local authority	0.000	186.670	0.000	0.000	0.000	3.029	**189.699**
No Loss Allowance, Other:							
Financial assets measured at Fair Value	0.000	0.000	0.000	0.000	71.556	0.000	**71.556**
Total Gross Carrying	**0.000**	**191.678**	**121.378**	**0.000**	**84.615**	**30.192**	**427.863**
Loss Allowances	0.000	0.000	(0.028)	0.000	(1.306)	(2.073)	**(3.407)**
Total Net Carrying Amount	**0.000**	**191.678**	**121.350**	**0.000**	**83.309**	**28.119**	**424.456**

The past due amount for trade debtors can be analysed by age as follows:

	31 Mar 2021 £m	31 Mar 2022 £m
Less than three months	17.124	16.476
Three to six months	1.708	2.112
Six months to one year	2.934	2.780
More than one year	7.688	7.937
Total	**29.454**	**29.305**

The gross value of trade debtors, excluding other local authorities and central government departments and agencies, is analysed as follows:

	Gross Value of Trade Debtors 31 Mar 2022 £m
Finance Lease Receivables	0.204
Contract Assets	0.647
0 - 30 Days	11.599
Over 30 Days	14.714
Debtors Excluding Other Local Authorities and Government	**27.164**

A loss allowance for these financial assets is recognised based on the gross value of trade debtors which are more than 30 days past due and which have been or are expected to be referred for review by the Council's Legal Services department or under the Care Act (2014). A non-recovery rate based on the historical success rate of recovering such debt, once referred, along with a factor to reflect the prevailing economic conditions, is applied to the gross value of referred debt to determine the amount of the loss allowance. The factor for current market conditions was derived by comparing the expected default rate for 2022 with the historic default rate based on information collated by rating agency Moody's. Macroeconomic conditions are forecast to improve in 2022 compared to 2021. The expected default rate for 2022 is now lower than the historic default rate, therefore the adjustment for current market conditions has resulted in a smaller allowance for losses compared to the raw calculation based on the profile of debt, as at 31 March 2022, and the historical rate of debt recovery alone.

Department / Debt Category	Trade Debtors Over 30 Days £m	Referred Debt * £m	Expected Non-Recovery Rate %	Factor for Current Economic Conditions ** %	General Loss Allowance £m	Specific Loss Allowance £m	Total Loss Allowance £m
Adult Care - Secured Over Property	5.095	0.000	0%	67%	0.000	0.000	**0.000**
Adult Care Other - Over 1 Year	3.246	3.246	62%	67%	1.349	0.000	**1.349**
Adult Care Other - 1 Year or Under	3.022	3.022	22%	67%	0.453	0.000	**0.453**
Other	3.350	0.999	22%	67%	0.150	0.122	**0.272**
Total	**14.713**	**7.267**			**1.952**	**0.122**	**2.074**

* Referred debt has been, or is expected to be, referred to Legal Services or reviewed under the Care Act (2014)
** The adjustment for economic conditions is restricted in order that the loss allowance does not exceed 100% of the value of the debt

Whilst expected credit losses relating to trade debtors are measured on a collective basis, those relating to other financial assets are determined on a case-by-case basis.

Reconciliation of Credit Loss Allowances

A reconciliation of the opening and closing balances of the allowances recognised for potential credit losses on the Council's financial assets for the year ended 31 March 2022 is provided as follows:

	Reanalysed Balance at start of year £m	Increase due to recognition of new Financial Assets £m	Decrease due to de-recognition of Financial Assets £m	Change due to modification of cash flows of the Financial Assets £m	Due to change in Average Default Rates £m	Due to change in significance of credit risk £m	Balance at end of year £m
Measured at 12-month expected credit losses where:							
There has been no significant increase in credit risk since initial recognition	**0.026**	0.021	(0.014)	0.000	(0.005)	0.000	**0.028**
Measured at lifetime expected credit losses where:							
Credit risk has increased significantly since initial recognition	**1.283**	1.256	(1.233)	0.000	0.000	0.000	**1.306**
Financial assets have become credit impaired	**0.000**	0.000	0.000	0.000	0.000	0.000	**0.000**
Allowed under the simplified approach i.e. Debtors	**4.195**	0.120	0.000	0.000	(2.242)	0.000	**2.073**
Total Loss Allowance	**5.505**	**1.397**	**(1.247)**	**0.000**	**(2.247)**	**0.000**	**3.407**

£1.255m of expected credit losses relate to the loan to Buxton Crescent Limited. The Council agreed to write-off £0.566m of interest accruing on this loan in 2020-21 and £0.162m of interest accruing from the 1 April 2021 to 18 July 2021.

The contractual terms of the loan to Buxton Crescent Limited were varied with effect from 19 July 2021. The changes were an extension to the maturity date of the loan and a revision from a fixed interest rate to a floating interest rate. The level of interest at the point of renegotiation was considered to be a fair market rate. The restructured loan was deemed to be substantially modified since the present value of the cash flows under the new terms were more than 10% different from the present value of the cash flows under the old terms.

As it was a substantial modification, the original financial asset was extinguished and a new financial asset has been recognised. Following the write-offs of the interest accrued in 2020-21 and from 1 April 2021 to 18 July 2021 there was no further difference between the carrying amount of the new and extinguished financial assets to recognise in Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

The Council agreed to the renegotiated terms of the loan because it supports the viability of an asset it ultimately owns, and for wider reasons, of successful regeneration of the local area, there was added value in ensuring the business running the hotel could have 'breathing space' to recover from the impacts of Covid-19.

The balance at the start of the year in the table reconciling the opening and closing balances of the allowances recognised for potential credit losses on the Council's financial assets for the year ended 31 March 2022 has been reanalysed. This is because the loan to Buxton Crescent Limited has been reclassified from 'credit impaired' to 'credit risk having significantly increased since recognition' based on the fact that the restructure of the loan was voluntary and not a distressed exchange and that the new agreed rate of interest was a fair market rate.

There were no other modifications to the cash flows of the Council's financial assets during the year.

12-month expected credit losses are based on the following inputs and assumptions:

- The value of the principal on maturity.
- The coupon interest rate of the loan receivable.
- The average probability of default in the next 12 months for that grade of investment, as determined by the major ratings agencies. This has been adjusted for current market conditions based on the ratio of the expected default rate for 2022 compared to the historic rate of default collated by rating agency Moody's.
- The expected loss, given default, is assumed to be 62% (Moody's unsecured).
- In the event of default, the recoverable amount is expected to be received two years later than the due date.

Lifetime expected credit losses are based on the following inputs and assumptions:

- The gross carrying amount.
- The probability of default for that grade of investment, and the expected loss given default.

Forward-looking information is incorporated into the determination of expected credit losses:

- For specific investments – by reference to the investment grade provided by the rating agency Moody's and by considering the forecast default rates for the year compared to historical rates of default.
- For trade debtors – by considering the value of additional debt that is likely to be referred in addition to that which has already been referred for review and by considering the forecast default rates for the year compared to historical rates of default.

The Council does not hold any collateral as security or any other credit enhancements against the loans it has issued.

Liquidity risk
The Council manages a comprehensive cash flow management system. This seeks to ensure that cash is available when it is needed. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The contractual maturity for short term and long-term borrowing is as follows:

	31 Mar 2022 £m
Less than one year	(134.820)
Between one and two years	(19.367)
Between two and five years	(10.137)
Between five and ten years	(37.040)
More than ten years	(183.959)
	(385.323)

Interest rate risk
Within the Annual Treasury Management Strategy maximum limits are set for fixed and variable interest rate exposure. The interest rate profile of financial assets and liabilities is as follows:

					Fixed rate	
	Total £m	Non-interest bearing £m	Variable or Fixed <1 year £m	Fixed > 1 year £m	Weighted average int rate (%)	Weighted average period (years)
Financial assets	**351.105**	1.009	335.096	15.000	1.29	1
Financial liabilities	**(385.323)**	0.000	(134.820)	(250.503)	3.07	17

A 1% change in interest rates would have the following impact:

	Impact on provision of services £m	Impact on net worth £m
Increase by 1% (100 basis points)	1.351	46.174
Decrease by 1% (100 basis points)	(1.351)	(46.174)

50. COVID-19

In 2021-22, the gross cost to the Council in respect of the Covid-19 pandemic was £55.592m (2020-21: £81.428m), before Covid-19 specific recharges and grant income, and Covid-19 general grant income. The table below details these gross costs, by Service Area and by Council Portfolio. The Council Portfolio abbreviations used are expanded in full in the Comprehensive Income and Expenditure Statement.

	Covid-19 Costs by Portfolio									
Service Area	**AC £m**	**CGR £m**	**CSB £m**	**CSSGE £m**	**HC £m**	**HT £m**	**IE £m**	**SLCTCC £m**	**Corporate Budgets £m**	**TOTAL £m**
Income Losses										
Highways and Transport Sales, Fees & Charges (SFC) - Parking services losses	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Highways and Transport Sales, Fees & Charges (SFC) losses - other	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Cultural & Related (SFC) - Recreation and sport losses	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Cultural & Related (SFC) losses - other	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Planning & Development SFC losses	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
SFC income losses - other	0.386	0.000	0.609	0.820	0.000	0.000	0.000	0.164	0.000	**1.979**
Sales, Fees & Charges (SFC) income losses sub total	**0.386**	**0.000**	**0.609**	**0.820**	**0.000**	**0.000**	**0.000**	**0.164**	**0.000**	**1.979**
Commercial Income losses (rental income)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Commercial Income losses (dividends)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.445	**0.445**
Commercial Income losses (other)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.325	**0.325**
Other income losses	0.000	0.000	0.009	0.000	0.000	0.000	0.000	0.000	0.000	**0.009**
Other Non-Collection Fund Losses sub-total	**0.000**	**0.000**	**0.009**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.770**	**0.779**
Total Income Losses	**0.386**	**0.000**	**0.618**	**0.820**	**0.000**	**0.000**	**0.000**	**0.164**	**0.770**	**2.758**

	Covid-19 Costs by Portfolio									
Service Area	**AC £m**	**CGR £m**	**CSB £m**	**CSSGE £m**	**HC £m**	**HT £m**	**IE £m**	**SLCTCC £m**	**Corporate Budgets £m**	**TOTAL £m**
Costs										
Adult Social Care – additional demand	21.261	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**21.261**
Adult Social Care – supporting the market	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Adult Social Care – workforce pressures	10.138	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**10.138**
Adult Social Care - Personal protective equipment (PPE)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Adult Social Care - other	0.568	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.568**
Adult Social Care sub-total	**31.967**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**31.967**
Children's Social Care – workforce pressures	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Children's Social Care - residential care	0.000	0.000	0.000	0.060	0.000	0.000	0.000	0.000	0.000	**0.060**
Children's Social Care - care leavers	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Children's Social Care - other	0.000	0.000	0.000	2.721	0.000	0.000	0.000	0.000	0.000	**2.721**
Children's Social Care sub-total	**0.000**	**0.000**	**0.000**	**2.781**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**2.781**
Education - SEND	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Education - Home to school transport	0.000	0.000	0.000	0.385	0.000	0.000	0.000	0.000	0.000	**0.385**
Education - other	0.000	0.000	0.000	0.148	0.000	0.000	0.000	0.000	0.000	**0.148**
Education sub-total	**0.000**	**0.000**	**0.000**	**0.533**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.533**
Highways and Transport	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.266**	**0.000**	**0.000**	**0.000**	**0.266**

	Covid-19 Costs by Portfolio									
Service Area	**AC £m**	**CGR £m**	**CSB £m**	**CSSGE £m**	**HC £m**	**HT £m**	**IE £m**	**SLCTCC £m**	**Corporate Budgets £m**	**TOTAL £m**
Costs										
Public Health - Testing, contact tracing and outbreak planning	0.000	0.000	0.000	0.000	7.815	0.000	0.000	0.000	0.000	**7.815**
Public Health - Other	0.000	0.000	0.000	0.000	2.010	0.000	0.000	0.000	0.000	**2.010**
Public Health sub-total	**0.000**	**0.000**	**0.000**	**0.000**	**9.825**	**0.000**	**0.000**	**0.000**	**0.000**	**9.825**
Housing - homelessness services	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Housing - rough sleeping	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Housing - other excluding HRA	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Housing sub-total	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Cultural & related - Sports, leisure and community facilities	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.021	0.000	**0.021**
Cultural & related - other	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Cultural & related sub-total	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.021**	**0.000**	**0.021**
Environment & regulatory - cremation, cemetery and mortuary services/Excess deaths	0.000	0.000	0.003	0.000	0.000	0.000	0.000	0.000	0.000	**0.003**
Environment & regulatory - waste management	0.000	0.000	0.000	0.000	0.000	0.000	2.559	0.000	0.000	**2.559**
Environment and regulatory – COVID-19 compliance and enforcement	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Environment & regulatory - other	0.000	0.023	0.000	0.000	0.000	0.000	0.036	0.000	0.000	**0.059**
Environment & regulatory - sub-total	**0.000**	**0.023**	**0.003**	**0.000**	**0.000**	**0.000**	**2.595**	**0.000**	**0.000**	**2.621**

	Covid-19 Costs by Portfolio									
Service Area	**AC £m**	**CGR £m**	**CSB £m**	**CSSGE £m**	**HC £m**	**HT £m**	**IE £m**	**SLCTCC £m**	**Corporate Budgets £m**	**TOTAL £m**
Costs										
Finance & corporate - ICT & remote working	0.000	0.000	0.085	0.000	0.003	0.000	0.000	0.007	0.000	**0.095**
Finance & corporate - Revenue & benefits expansion	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Finance & corporate - other	0.000	0.000	1.240	0.000	0.015	0.000	0.000	0.007	0.000	**1.262**
Finance & corporate - sub-total	**0.000**	**0.000**	**1.325**	**0.000**	**0.018**	**0.000**	**0.000**	**0.014**	**0.000**	**1.357**
Other - Shielding	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Other - PPE (non-Adult Social Care and HRA)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Other - unachieved savings/delayed projects	2.086	0.000	0.000	0.469	0.000	0.000	0.000	0.332	0.421	**3.308**
Other – lockdown compliance and reopening costs (incl. enforcement)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Other - Domestic Abuse Services	0.000	0.000	0.000	0.000	0.155	0.000	0.000	0.000	0.000	**0.155**
Other - Elections	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Other - excluding service areas listed above	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Other - sub-total	**2.086**	**0.000**	**0.000**	**0.469**	**0.155**	**0.000**	**0.000**	**0.332**	**0.421**	**3.463**
Total Costs	**34.053**	**0.023**	**1.328**	**3.783**	**9.998**	**0.266**	**2.595**	**0.367**	**0.421**	**52.834**
A **Total Gross Costs and Income Losses**	**34.439**	**0.023**	**1.946**	**4.603**	**9.998**	**0.266**	**2.595**	**0.531**	**1.191**	**55.592**

The table below sets out how the Council's Covid-19 pandemic 2021-22 gross costs of £55.592m, by Service Area, have been fully funded, using £44.377m of available Covid-19 specific recharge and grant income, with the balance of £11.215m funded using the Council's general Covid-19 emergency funding for Local Government of £26.585m, which is comprised of £11.248m brought forward from 2020-21 and £15.337m received in 2021-22. The remaining balance of the Covid-19 general emergency funding at 31 March 2022, amounting to £15.370m, has been carried forward to 2022-23 in an earmarked reserve.

	Covid-19 Costs and Funding					
	Gross Costs	Offsets	Covid-19 Emergency Funding for Local Government			
Service Area	**TOTAL £m**	**Specific Re-charges and Grant Income £m**	**Used in 2021-22 £m**	**Carried Forward to 2022-23 £m**	**TOTAL £m**	**%**
Income Losses						
Highways and Transport Sales, Fees & Charges (SFC) - Parking services losses	**0.000**	0.000	**0.000**	0.000	**0.000**	0.0%
Highways and Transport Sales, Fees & Charges (SFC) losses - other	**0.000**	0.000	**0.000**	0.000	**0.000**	0.0%
Cultural & Related (SFC) - Recreation and sport losses	**0.000**	0.000	**0.000**	0.000	**0.000**	0.0%
Cultural & Related (SFC) losses - other	**0.000**	0.000	**0.000**	0.000	**0.000**	0.0%
Planning & Development SFC losses	**0.000**	0.000	**0.000**	0.000	**0.000**	0.0%
SFC income losses - other	**1.979**	(1.473)	**0.506**	0.000	**0.506**	1.9%
Sales, Fees & Charges (SFC) income losses sub-total	**1.979**	**(1.473)**	**0.506**	**0.000**	**0.506**	**1.9%**
Commercial Income losses (rental income)	**0.000**	0.000	**0.000**	0.000	**0.000**	0.0%
Commercial Income losses (dividends)	**0.445**	0.000	**0.445**	0.000	**0.445**	1.7%
Commercial Income losses (other)	**0.325**	0.000	**0.325**	0.000	**0.325**	1.2%
Other income losses	**0.009**	0.000	**0.009**	0.000	**0.009**	0.0%
Other Non-Collection Fund Losses sub-total	**0.779**	**0.000**	**0.779**	**0.000**	**0.779**	**2.9%**
Total Income Losses	**2.758**	**(1.473)**	**1.285**	**0.000**	**1.285**	**4.8%**

Service Area	Covid-19 Costs and Funding: Gross Costs TOTAL £m	Offsets: Specific Re-charges and Grant Income £m	Covid-19 Emergency Funding for Local Government: Used in 2021-22 £m	Carried Forward to 2022-23 £m	TOTAL £m	%
Costs						
Adult Social Care – additional demand	**21.261**	(21.261)	**0.000**	0.000	**0.000**	0.0%
Adult Social Care – supporting the market	**0.000**	0.000	**0.000**	0.000	**0.000**	0.0%
Adult Social Care – workforce pressures	**10.138**	(8.710)	**1.428**	0.000	**1.428**	5.4%
Adult Social Care - Personal protective equipment (PPE)	**0.000**	0.000	**0.000**	0.000	**0.000**	0.0%
Adult Social Care - other	**0.568**	0.000	**0.568**	0.000	**0.568**	2.1%
Adult Social Care sub-total	**31.967**	**(29.971)**	**1.996**	**0.000**	**1.996**	**7.5%**
Children's Social Care – workforce pressures	**0.000**	0.000	**0.000**	0.000	**0.000**	0.0%
Children's Social Care - residential care	**0.060**	0.000	**0.060**	0.000	**0.060**	0.2%
Children's Social Care - care leavers	**0.000**	0.000	**0.000**	0.000	**0.000**	0.0%
Children's Social Care - other	**2.721**	(2.721)	**(0.000)**	0.000	**(0.000)**	0.0%
Children's Social Care sub-total	**2.781**	**(2.721)**	**0.060**	**0.000**	**0.060**	**0.2%**
Education - SEND	**0.000**	0.000	**0.000**	0.000	**0.000**	0.0%
Education - Home to school transport	**0.385**	(0.385)	**(0.000)**	0.000	**(0.000)**	0.0%
Education - other	**0.148**	(0.001)	**0.147**	0.000	**0.147**	0.6%
Education sub-total	**0.533**	**(0.386)**	**0.147**	**0.000**	**0.147**	**0.6%**
Highways and Transport	**0.266**	**0.000**	**0.266**	**0.000**	**0.266**	**1.0%**
Public Health - Testing, contact tracing and outbreak planning	**7.815**	(7.815)	**0.000**	0.000	**0.000**	0.0%
Public Health - Other	**2.010**	(2.011)	**(0.001)**	0.000	**(0.001)**	0.0%
Public Health sub-total	**9.825**	**(9.826)**	**(0.001)**	**0.000**	**(0.001)**	**0.0%**
Housing - homelessness services	**0.000**	0.000	**0.000**	0.000	**0.000**	0.0%
Housing - rough sleeping	**0.000**	0.000	**0.000**	0.000	**0.000**	0.0%
Housing - other excluding HRA	**0.000**	0.000	**0.000**	0.000	**0.000**	0.0%
Housing sub-total	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.0%**

Service Area	Covid-19 Costs and Funding: Gross Costs TOTAL £m	Offsets: Specific Re-charges and Grant Income £m	Covid-19 Emergency Funding for Local Government: Used in 2021-22 £m	Carried Forward to 2022-23 £m	TOTAL £m	%
Costs						
Cultural & related - Sports, leisure and community facilities	**0.021**	0.000	**0.021**	0.000	**0.021**	0.1%
Cultural & related - other	**0.000**	0.000	**0.000**	0.000	**0.000**	0.0%
Cultural & related sub-total	**0.021**	**0.000**	**0.021**	**0.000**	**0.021**	**0.1%**
Environment & regulatory - cremation, cemetery and mortuary services/Excess deaths	**0.003**	0.000	**0.003**	0.000	**0.003**	0.0%
Environment & regulatory - waste management	**2.559**	0.000	**2.559**	0.000	**2.559**	9.6%
Environment and regulatory – COVID-19 compliance and enforcement	**0.000**	0.000	**0.000**	0.000	**0.000**	0.0%
Environment & regulatory - other	**0.059**	0.000	**0.059**	0.000	**0.059**	0.2%
Environment & regulatory - sub-total	**2.621**	**0.000**	**2.621**	**0.000**	**2.621**	**9.9%**
Finance & corporate - ICT & remote working	**0.095**	0.000	**0.095**	0.000	**0.095**	0.4%
Finance & corporate - Revenue & benefits expansion	**0.000**	0.000	**0.000**	0.000	**0.000**	0.0%
Finance & corporate - other	**1.262**	0.000	**1.262**	0.000	**1.262**	4.7%
Finance & corporate - sub-total	**1.357**	**0.000**	**1.357**	**0.000**	**1.357**	**5.1%**
Other - Shielding	**0.000**	0.000	**0.000**	0.000	**0.000**	0.0%
Other - PPE (non-Adult Social Care and HRA)	**0.000**	0.000	**0.000**	0.000	**0.000**	0.0%
Other - unachieved savings/delayed projects	**3.308**	0.000	**3.308**	0.000	**3.308**	12.4%
Other – lockdown compliance and reopening costs (incl. enforcement)	**0.000**	0.000	**0.000**	0.000	**0.000**	0.0%
Other - Domestic Abuse Services	**0.155**	0.000	**0.155**	0.000	**0.155**	0.6%
Other - Elections	**0.000**	0.000	**0.000**	0.000	**0.000**	0.0%
Other - excluding service areas listed above	**0.000**	0.000	**0.000**	15.370	**15.370**	57.8%
Other - sub-total	**3.463**	**0.000**	**3.463**	**15.370**	**18.833**	**70.8%**
Total Costs	**52.834**	**(42.904)**	**9.930**	**15.370**	**25.299**	**95.2%**
Total Gross Costs and Income Losses	**55.592**	**(44.377)**	**11.215**	**15.370**	**26.584**	**100.0%**

The table below gives details of the £44.377m of Covid-19 specific recharges and grant income receivable by the Council in 2021-22, used to partially offset the Council's Covid-19 gross costs in 2021-22 of £55.592m, by Council portfolio. It also shows that the balance of 2021-22 Covid-19 gross costs by Council portfolio, amounting to £11.215m, has been funded using the Council's general Covid-19 emergency funding for Local Government of £26.585m, which is comprised of £11.248m brought forward from 2020-21 and £15.337m received in 2021-22. The Council portfolio abbreviations used are expanded in full in the Comprehensive Income and Expenditure Statement.

		Covid-19 Funding by Portfolio									
		AC	CGR	CSB	CSSGE	HC	HT	IE	SLCTCC	Corporate Budgets	TOTAL
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
A	**Total Gross Costs and Income Losses**	**34.439**	**0.023**	**1.946**	**4.603**	**9.998**	**0.266**	**2.595**	**0.531**	**1.191**	**55.592**
	Offsets: Specific Recharges and Grant Income										
	Additional Care Package Costs (Hospital Discharge) Recharged to Health	(5.136)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**(5.136)**
	Additional School and College Transport Capacity Funding	0.000	0.000	0.000	(0.385)	0.000	0.000	0.000	0.000	0.000	**(0.385)**
	Clinical Commissioning Group (CCG) Retention Funding	(1.720)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**(1.720)**
	Contain Outbreak Management Fund	0.000	0.000	0.000	0.000	(5.389)	0.000	0.000	0.000	0.000	**(5.389)**
	Covid Local Grant Scheme	0.000	0.000	0.000	(2.566)	0.000	0.000	0.000	0.000	0.000	**(2.566)**
	Critically Extremely Vulnerable (CEV) Individuals Support Grant	0.000	0.000	0.000	0.000	(1.992)	0.000	0.000	0.000	0.000	**(1.992)**
	Infection Control Fund	(15.218)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**(15.218)**
	Mass Community Testing	0.000	0.000	0.000	0.000	(2.116)	0.000	0.000	0.000	0.000	**(2.116)**
	Omicron Support Fund	(0.907)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**(0.907)**
	Practical Self-Isolation Support	0.000	0.000	0.000	0.000	(0.019)	0.000	0.000	0.000	0.000	**(0.019)**
	Public Health Grant	0.000	0.000	0.000	0.000	(0.150)	0.000	0.000	0.000	0.000	**(0.150)**
	Sales Fees and Charges Compensation	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	(1.473)	**(1.473)**
	Test and Trace Grant	0.000	0.000	0.000	0.000	(0.160)	0.000	0.000	0.000	0.000	**(0.160)**
	Wellbeing for Education Return Grant	0.000	0.000	0.000	(0.001)	0.000	0.000	0.000	0.000	0.000	**(0.001)**
	Winter Grant Scheme	0.000	0.000	0.000	(0.155)	0.000	0.000	0.000	0.000	0.000	**(0.155)**
	Workforce Recruitment and Retention Grant	(6.990)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	**(6.990)**
B	**Total Offsets**	**(29.971)**	**0.000**	**0.000**	**(3.107)**	**(9.826)**	**0.000**	**0.000**	**0.000**	**(1.473)**	**(44.377)**
A + B	**Covid-19 Emergency Funding for Local Government used in 2021-22**	**4.468**	**0.023**	**1.946**	**1.496**	**0.172**	**0.266**	**2.595**	**0.531**	**(0.282)**	**11.215**

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51. CONTINGENT LIABILITIES

New Waste Treatment Facility

The Council and Derby City Council remain engaged in a project to develop a New Waste Treatment Facility (NWTF) in Sinfin, Derby, to deal with waste that residents in Derby and Derbyshire do not recycle. The facility, which was due to open in 2017, was being built on the councils' behalf by Resource Recovery Solutions (Derbyshire) Ltd (RRS), which was a partnership between national construction firm Interserve, which was also building the plant, and waste management company Renewi plc. However, the contract with RRS was terminated on 2 August 2019, following the issuing of a legal notice by the banks funding the project.

A contract has been put in place by the councils to make sure waste that residents cannot recycle or choose not to recycle continues to be dealt with and that recycling centres and waste transfer stations continue to operate. These services will continue to be run by waste management company Renewi UK Services Ltd.

Work had been progressing on the facility to determine its condition and capability, however due to the measures introduced by the UK Government to counter the Covid-19 pandemic, work on site has been affected. This work is also being carried out by Renewi UK Services Ltd and will allow the councils to ascertain what measures need to be in place for the facility to become fully operational. The councils are in negotiations to pay an 'estimated fair value' (EFV) for the plant, taking into account all of the costs of rectifying ongoing issues at the plant and the costs of providing the services to meet the agreed contract standards. The councils are trying to complete this within as short a time frame as possible, but the councils are not wholly accountable for the actions needed, as third parties have a direct influence on how long the process may actually take.

If an agreed EFV cannot be reached through negotiation, it would need to be resolved through formal dispute resolution processes, which have commenced. At the time of publication of the accounts, an agreed EFV has not been reached. In the event of either a negotiated position, or a Court decision, the payment required from the Council may be for a material amount.

Gladys Buxton Site

The Council exchanged a legally binding contract with the purchaser of the Council's Gladys Buxton site in September 2021, with completion and settlement due by September 2023. Contractual clauses allow the developer to mitigate any costs for 'abnormal additional work' that are identified and agreed by both parties as being necessary to develop the site for residential housing. Following a thorough site investigation program, commissioned by the purchaser, abnormal additional works have been identified as being required. The agreed sales proceeds in respect of the site are in excess of this amount. The Council will be negotiating with the purchaser in respect of these findings and therefore considers that there are uncertainties over both final costs and the timing of any payment.

52. SUBSEQUENT EVENTS

There were no significant events between the balance sheet date and the approval of these financial statements which would require disclosure or adjustment of the statements.

ACCOUNTING POLICIES

INTRODUCTION

The Accounting Policies for Derbyshire County Council (the Council) have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code for Local Authority Accounting (the Code). Where there is no specific guidance in the Code, the Council has developed its own accounting policy which is aimed at creating information which is:

- Relevant to the decision-making needs of users; and
- Reliable, in that the financial statements:
  - Represent fairly the financial position, financial performance and cash flows of the entity;
  - Reflect the economic substance of transactions, other events and conditions and not merely the legal form;
  - Are neutral i.e. free from bias;
  - Are prudent; and
  - Are complete in all material respects.

This document outlines how the Council will account for all income, expenditure, assets and liabilities held and incurred during the 2021-22 financial year.

The accounting policies of the Council are updated annually to reflect any changes in IFRS, including changes in International Public Sector Accounting Standards (IPSAS), HM Treasury guidance, CIPFA guidance or any other change in statute, guidance or framework impacting on the authority's accounts.

The Accounting Policies of the Council as far as possible have been developed to ensure that the accounts of the Council are understandable, relevant, free from material error or misstatement, reliable and comparable. A Glossary of Terms can be found at the end of this document.

The document has been divided into four distinct categories which are Accounting Principles, Capital Accounting, Revenue Accounting and Treasury Management, with each policy being assigned a policy number.

ACCOUNTING PRINCIPLES

1.1. Going Concern

The Council prepares its accounts on the basis that it remains a going concern; that is that there is the assumption that the functions of the Council will continue in operational existence. In the case of a pending local government reorganisation, where assets and liabilities are due to be redistributed, the Council would still account on the basis of going concern as the provision of services would continue in another Council.

1.2. Accruals Concept

The Council accounts for income and expenditure in the period in which the provision of goods or service has taken place, rather than when cash payments are received or made.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Equally, where cash has been received or paid which is not yet recognised as income or expenditure, a creditor (income in advance) or debtor (payment in advance) is recorded in the Balance Sheet.

1.3. Cost of Services

Internal support service costs (e.g. Human Resources) are apportioned across the core service areas to represent the total cost of delivering that service to the public, in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2021-22 (SerCOP).

Where possible the full cost of support services is shared between users in proportion to the benefits received, with the exception of the following, which are included wholly within the Corporate Services portfolio cost of services:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties, or any other operational cost that cannot be reasonably attributed to a specific service.

1.4. Value Added Tax

Income and expenditure treated as either capital or revenue, excludes any amounts related to VAT. All VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from the same. Any amounts outstanding (payment or receipt) at the year-end date is held as a creditor or debtor after netting off the amounts either due or owed.

1.5. Changes in Accounting Policy

Where there is a known future change in accounting policy required by the CIPFA Code, the Council will disclose the following in the notes to the accounts:

- The nature of the change in accounting policy.
- The reasons why applying the new accounting policy provides reliable and more relevant information.
- For both the current reporting period, and the previous year comparatives reported, the extent to which the change in accounting policy would have impacted on the financial statements if it had been adopted in that year.
- The amount of adjustment relating to years previous to those reported in the set of financial statements, had the proposed policy been adopted retrospectively.
- If retrospective application is impracticable for a particular period, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

The Council will also disclose information relating to an accounting standard applicable to the next financial reporting period which has been issued but not yet adopted.

1.6. **Prior Year Adjustments**

These typically arise from omissions and misstatements in the Council's financial statements for one or more prior periods. For the error to be a prior year adjustment, it would need to have arisen from a failure to use, or misuse of, reliable information that:

a) Was available when financial statements for those periods were authorised for issue; and
b) Could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, misunderstanding in applying accounting policies, oversights or misinterpretations of facts, and fraud.

They may also arise for reasons such as changes in Accounting Standards, which are required to be applied retrospectively.

Where required changes are thought to be significant, an adjustment will be entered into the financial statement's comparative year balances, and the columns headed 'restated'. In addition, full disclosure as to the nature, circumstance and value of the adjustment will be disclosed in the notes to the accounts.

Errors which are found and are not significant will not result in a prior year adjustment and will be corrected as a current year entry. In addition, errors as a result of information which was not known to the Council or could not have reasonably been obtained by the Council when the accounts were authorised for issue will also be treated as an in-year adjustment.

1.7. Unidentified Income

All unidentified income received is initially coded to an income suspense account. Individual amounts below £10 are credited to sundry income due to immateriality. Weekly updates of the content of the suspense accounts are circulated to finance departments, to ensure the balances are cleared quickly. Any items of income below £10,000 which remain unidentified for six months will be credited to sundry income. Items above £10,000 will be credited to sundry income after 12 months.

1.8. Events after the Balance Sheet Date

Where there is a material post balance sheet event before the date the accounts are authorised for issue, a disclosure in the notes to the accounts will be included. If this event provides additional evidence of conditions that existed at the Balance Sheet date, and materially affects the amounts to be included in the accounts; adjusting items will be shown in the accounts.

1.9. Exceptional Items

Exceptional items will have been disclosed separately on the face of the Comprehensive Income and Expenditure Statement and details will be disclosed in the notes to the accounts.

1.10. Contingent Assets and Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. They are not recognised in the Balance Sheet but disclosed in a note to the accounts.

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

CAPITAL ACCOUNTING

1.11. Recognition of Capital Expenditure (de-minimis Policy)

In accordance with International Accounting Standard 16 (IAS 16), the Council recognises non-current assets as:

- Assets where it is expected that future economic benefit or service potential will flow to the Council.
- Assets where the cost can be measured reliably.

And defines them as:-

- Assets held for use in the production or supply of goods or services, rental to others, or for administrative purposes.
- Assets expected to be used for more than one financial period.

The initial measurement of an asset is recognised to be:
- Purchase price, construction cost, minimum lease payments or equivalent including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.
- Costs associated with bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- Initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, the obligation for which the Council incurred either when the asset was acquired or as a consequence of having used the asset during a particular period for purposes other than producing inventories during that period.

Subsequent expenditure are costs incurred to add to, replace part of, or service the asset, but do not include day-to-day repairs and maintenance and are treated as capital when
- The expenditure will substantially increase the market value of the asset.
- The expenditure will substantially increase the extent to which the Council can use the asset for the purpose, or in conjunction with the functions of the Council.

Where a component is replaced, the carrying amount of the old component shall be derecognised to avoid double counting and the new component reflected in the carrying amount, subject to the recognition principles as set out above.

The Council has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for Infrastructure Assets when there is replacement expenditure is nil.

The Council has two levels of de-minimis for recognition of capital expenditure, £10,000 and £500,000:
- £10,000 and below – all expenditure at this level is deemed to be non-enhancing unless funded by a Capital grant, and therefore is charged to revenue as it is incurred. This includes initial recognition of assets and subsequent asset expenditure.
- Above £500,000 – expenditure meeting the definitions above will be treated as capital expenditure, either as initial recognition or as an enhancement. However, in order to ensure that the subsequent asset expenditure is enhancing the value of the asset, the Council will instruct a valuation of the asset by a Royal Institute of Chartered Surveyors (RICS) qualified valuer, and any impairment or additional enhancement recognised as necessary.
- Any expenditure above £10,000 and below £500,000 will be treated as capital expenditure as the amount is significant enough to increase the useful life of an

asset, however, is not material enough to warrant individual impairment review, until the time the asset would normally be valued.

Capital Assets are held on the balance sheet as non-current assets, unless otherwise stated.

The Council has assessed whether Voluntary Aided, Voluntary Controlled and Foundation Schools should be included within the balance sheet, based upon an assessment of ownership and control of the assets. Maintained schools are already held on the balance sheet as the Council controls these entities and therefore all transactions relating to maintained schools are recognised in these accounts. Other types of schools such as Voluntary Aided, Voluntary Controlled and Foundation schools are subject to a test of ownership. The Council recognises a school's assets on its balance sheet where it directly owns them and/or the Council retains substantive rights over the assets and the future economic benefits/service potential of school assets flow to the Council or rights to use the assets have been transferred from another entity.

1.12. **Donated Assets**

These are acquired at less than fair value or transferred for nil consideration. When the Council receives a donated non-current asset, the initial recognition of the asset will be at fair value.

Once any condition attached to the donation has been satisfied, the credit which is the difference between any cash payment and fair value will be treated as income in the Taxation and Non-Specific Grant Income and Expenditure line in the Comprehensive Income and Expenditure Statement. To ensure there is no impact on Council Tax this will then be reversed in the Movement in Reserves Statement and credited to the Capital Adjustment Account.

Until the condition has been satisfied the credit will be recognised in the Donated Assets account. If there is no condition, the recognition of the credit in the Comprehensive Income and Expenditure Statement will occur upon acquisition of the asset.

The fair value of an asset will be assessed upon acquisition; this will be provided by a RICS qualified valuer for property assets and another relevant valuation specialist for other types of asset. After initial recognition, donated assets are treated in the same way as similar owned assets.

1.13. **Non-Current Asset Classification**

The Council manages its assets in the following categories:

- **Intangible Assets**
  In line with International Accounting Standard 38 (IAS 38), the Council recognises intangible assets as non-monetary assets without physical substance, where that asset meets the capital expenditure criteria set out in Accounting Policy 1.11.

- **Property, Plant and Equipment Assets**
  Property Plant and Equipment Assets are subcategorised into Operational Assets: Land & Buildings, Community Assets, Vehicles Plant Furniture & Equipment, Infrastructure Assets, and Non-Operational Assets, these being Surplus Assets and Assets under Construction.
  - Land and/or Buildings Assets.
    These assets are recorded, valued and accounted for based on their significant components in line with IAS 16. The Council recognises a significant asset to be 25% of the total asset base within an asset class. A component would be recognised if its expenditure in a given financial year exceeds 25% of the total value of the significant asset and has a substantially different life to the overall asset:
    - Combined Group containing Flat Roof & Mechanical Engineering (Internal Works i.e. boiler system)
    - Land
    - Temporary Buildings (sheds / portacabins)
    - Combined group containing permanent structure, external works (i.e. car park), pitched roof and components of less than 25% of the overall structure value
    - Other unique features (e.g. a swimming pool)

  - Community Assets
    These are assets that the Authority intends to hold in perpetuity, that have no determinable useful life and which may, in addition, have restrictions on their disposal. There is little prospect for sale or change of use.

    If the asset is used for a specific operational purpose, it does not qualify as a community asset and should be valued accordingly.

  - Infrastructure Assets
    These include all tangible (physical) assets required within the Council's road networks. There is no prospect for sale or alternative use of infrastructure assets; expenditure is only recoverable through continued use of the asset.

  - Vehicles, Plant Furniture and Equipment Assets
    These assets are also classified as Property, Plant and Equipment.

    Non-Operational Assets:

  - Surplus Assets
    These are assets that are not being used to deliver services, and do not meet the criteria to be classified as either investment properties or held for sale. All surplus assets under IFRS13 which came into effect and were adopted by the Council from 1 April 2015 are to be valued at Fair Value and depreciated accordingly.

- Assets Under Construction
  These are assets which are in the process of being constructed and are not yet operational.

- **Investment Property Assets**

These are items of land and / or buildings held by the Council solely for the purpose of rental income generation or capital appreciation or both.

As such where there is a service of the Council being delivered from the property, this is not classified as Investment Property Assets. This includes where the intention of the asset is to generate economic growth to an area such as below market value rental.

Investment property that subsequently meets the criteria within the Code to be classified as held for sale shall continue to be accounted for as an investment property but may be reported separately as investment property held for sale.

Some Assets Under Construction may also be classified as Investment Properties where the intended eventual use is rental income generation or capital appreciation.

- **Heritage Assets**

Assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations are classified as Heritage Assets.

- **Assets Held for Sale**

The Council will classify Non-Current Assets as Held for Sale where all of the following criteria have been met:

- The asset must be available for immediate sale in its present condition. However, if a sale is dependent on planning permission being obtained, reclassification is suspended until that permission has been given.
- The asset's sale is highly probable.
- The asset must be actively marketed for sale.
- The completion of the sale is expected within 12 months from the date of classification.

In situations where it is not necessary to carry out active marketing, for example the Council is able to identify prospective purchasers willing to pay a reasonable price without marketing or because the buyer initiates the transaction (such as a right-to-buy-sale) the actively marketed test is treated as 'not applicable', rather than failed.

Assets which become non-operational which do not meet all of the criteria set out as assets Held for Sale will be classified as surplus. If at a later point in time the asset no longer meets the criteria of Held for Sale, it is restored to its previous classification and all transactions which would have occurred shall be retrospectively applied as though the asset had never been held for sale.

Assets meeting the criteria as Held for Sale are held as current assets on the balance sheet as income is expected within 12 months.
It is possible that assets meeting the criteria to be Held for Sale; may undergo a change in circumstance beyond the control of the Council resulting in the sale being delayed beyond 12 months. In these instances, the Council follows the policies outlined for assets held for sale; however disclosure of the value for these assets is within non-current assets. Due to the circumstances around the definition, it is expected that this will occur very rarely.

1.14. **Non-Current Asset Valuation Methodology**

The various classifications of assets as outlined in Accounting Policy 1.13 are valued on a differing base. Where not explicitly stated otherwise, property revaluations are completed by a RICS qualified valuer (who is internal to the Council), over a ‘short period’, interpreted to mean on a five year rolling programme for each class of asset i.e. 20% of the Council’s assets are revalued at 31 March for the financial year.

Where there is an upward revaluation, the carrying value is increased and the associated credit charged directly to the Revaluation Reserve. This is then reflected in the Comprehensive Income and Expenditure Statement as a revaluation gain. Where there is a revaluation resulting in a lower than carrying amount valuation, this is treated in line with Accounting Policy 1.15 – impairment of Non-Current Assets.

The Council, as per the reporting standard, values its assets and liabilities in accordance with section 2.10 of the Code of Practice on Local Authority Accounting in the United Kingdom to reflect the adoption of IFRS13 Fair Value Measurement at each reporting date except where adaptations to fit the public sector are detailed in the Code. However, Section 4.1 of the Code adapts IAS 16 to require that items of Property, Plant and Equipment that are operational and therefore providing a service potential for the authority are measured for their service potential at existing use value, existing use value – social housing, (depreciated) historic cost or depreciated replacement cost and not at fair value. Surplus assets are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability.

Fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Code requires Infrastructure Assets and Assets Under Construction (excluding Investment Property, see Section 4.4 of the Code) to be measured at historic cost. Community assets may either be valued in accordance with Section 4.10 of the Code, where the valuation option has been adopted, or measured at historic cost. The Council measures Community Assets at historic cost.

Heritage Assets will be valued in accordance with Section 4.10 of the Code.

The Code requires all other assets to be measured at Current Value and the basis of valuation will be determined using the following criteria:

- Depreciated replacement cost – specialised assets
- Existing use value – non-specialised assets
- Existing use value – social housing
- Fair value for the following assets:
    - Investment assets
    - Surplus assets
    - Assets Held for Sale (less costs to sell)

The Council uses valuation techniques, as required by the Code, which maximise the use of relevant observable inputs and minimise the use of unobservable inputs and that are appropriate in the circumstances and for which sufficient data is available.

Observable inputs are inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability.

Unobservable inputs are inputs for which market data is not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

The Council follows the fair value hierarchy which categorises inputs to the valuation techniques in respect of assets and liabilities into three levels for which fair value is measured or disclosed in the Council's financial statements, these include:

- Level 1 inputs – unadjusted quoted prices in active markets for identical assets or liabilities

- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset or liability

Highest priority is given to Level 1 inputs (unadjusted) in active markets and lowest priority to Level 3.

Upon the revaluation of a Surplus Asset at the 31 March of the financial year, based on the inputs available at the date of valuation the valuer will establish the Code Valuation Input Level for the valuation and will compare this with the Code Valuation Input Level for the previous valuation. Where the Input Level is different from that of the previous valuation this will be specifically reported with the valuation together with a narrative description of the reasons and differing circumstances that have resulted in the change.

Valuations are completed under the Code as follows:

- **Intangible Assets –** the Council recognises Intangible Assets at cost. The Council will only revalue intangible assets annually where there is a determinable market value for the asset.

- **Property Plant and Equipment (PPE) –** Property Assets are held at current value which is the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of Existing Use Value (EUV) in accordance with United Kingdom Practice Statement (UKPS) 1.3 of the RICS Valuation Standards. Where no other valuation method can be used because of the specialist nature of the asset, current value is estimated using a Depreciated Replacement Cost (DRC) approach. Vehicles, Plant, Furniture and Equipment, IT Hardware, and Assets Under Construction within PPE are held at historic cost (not valued).

- **Infrastructure Assets –** the Council recognises Infrastructure Assets at Depreciated Historical Cost.

- **Investment Property Assets –** Investment Properties are annually revalued at fair value which is interpreted as the amount that would be paid for the asset in its highest and best use, i.e. market value. An investment property under construction is measured at cost until such time as its fair value can be determined reliably or its construction us complete, whichever comes first. The fair value of Investment Property held under a lease is the lease interest.

- **Community Assets –** the Council recognises Community Assets at historic cost.

- **Heritage Assets –** where it is possible to determine a valuation for Heritage Assets, then the Council will recognise the asset in the Balance Sheet at that valuation. Where a valuation has been applied to this class of assets, other than a historic valuation, a range of valuation bases have been used which include external valuations, curatorial valuations and a limited number of cases of insurance valuations. Where a curatorial valuation has been applied the valuation is dependent upon the experience and knowledge of the Derbyshire Museums Manager. However, where it is not practicable to obtain a valuation the asset will be carried at historic cost. Where information on cost or value is not available all Heritage Assets will be disclosed in the notes to the accounts, even where they are not recognised in the Balance Sheet. Where there is evidence of impairment to Heritage Assets e.g. where an item has suffered a physical deterioration or breakage or new doubts arise as to its authenticity, any impairment is recognised and measured in accordance with the Council's general policies on impairment.

- **Assets Held for Sale –** Non-Current Assets Held for Sale are, at initial classification and at the end of each reporting year, valued at the lower of carrying amount and fair value less costs to sell and depreciation on these assets should cease.

- **Surplus Assets** – Surplus assets are valued at Fair Value in accordance with the Code.

1.15. **Impairment of Non-Current Assets**

This accounting policy has been created in accordance with IAS 36.

Impairment is the amount to which the carrying value of an asset exceeds the recoverable amount.

At the end of each reporting period the Council assesses whether there is any indication that an asset may be impaired.

The Council recognises impairment as:

- A significant decline (i.e. more than expected as a result of the passage of time or normal use) in an asset's carrying amount during the period that is specific to the asset;
- Evidence of obsolescence or physical damage of an asset;
- A commitment by the Council to undertake a significant reorganisation; and
- A significant adverse change in the statutory or other regulatory environment in which the Council operates.

Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains). Any further impairment or if there has been no previous revaluation, the impairment is charged to revenue. This is then reversed through the Movement in Reserves Statement and charged to the Capital Adjustment Account.

1.16. **Disposal of Non-Current Assets**

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Sale proceeds in excess of £10,000 are categorised as Capital Receipts. Receipts are credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are transferred to the Reserve from the movement in reserves statement. The value of the asset is transferred to the Capital Adjustment Account via the Movement in Reserves Statement.
Sale proceeds of £10,000 and below are credited straight to the Comprehensive Income and Expenditure Statement.

1.17. **Depreciation / Amortisation Methodology**

In order to recognise the total cost of using non-current assets, the Council has a policy to depreciate assets on a straight-line basis over their useful economic life, reducing the value of the asset, and charging the relevant revenue service expenditure. However, under statute, depreciation is not chargeable to the taxpayer, the Council removes this charge through the Movement in Reserves Statement and charges it to the Capital Adjustment Account.
The Council charges depreciation on a pro-rata basis during the year i.e. from the month of acquisition to the month of disposal.

The economic lives of assets are:

- **Intangible Assets –** 5 years.

- **Property Plant and Equipment**

    - Combined Group for Flat Roof and Mechanical Engineering – 20 years
    - Land – not depreciated
    - Temporary Buildings – 15 years
    - Modular Buildings – 25 years
    - Combined group for structure, external works, pitched roof and components of less than 25% of the overall structure value – 40 years
    - Other unique features (i.e. a swimming pool) – as required
    - Fixtures and Fittings – 10 years
    - IT Hardware – 5 years
    - Vehicles – 3 to 10 years

- **Infrastructure Assets**
  - Carriage ways – 40 years
  - Footways and cycle tracks – 40 years

- o Structures – 40 years
- o Lighting – 25 years
- o Traffic management – 25 years
- o Street furniture – 25 years

➢ **Investment Property Assets –** not depreciated

➢ **Community Assets –** Community Assets are assets that an authority intends to hold to perpetuity which have no determinable useful lives and as such are not depreciated.

➢ **Assets Held for Sale –** not depreciated

➢ **Assets Under Construction –** not depreciated

➢ **Heritage Assets (with indefinite lives) –** not depreciated

1.18. **Leases**

In line with IAS 17, the Council recognises a lease to be any agreement which transfers the right to use an asset for an agreed period in exchange for payment, or a series of payments.

This includes leases, hire purchase, rental, contracts of service, service level agreements and any other arrangement where the ability to use an asset is conveyed.

1.19. **Defining a Finance Lease**

A finance lease is where substantially all of the risks and rewards relating to ownership transfer to the lessee.

Tests to give an indication of the transfer of risk and reward are:

➢ If the lessee will gain ownership of the asset at the end of the lease term (e.g. hire purchase)

➢ If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised

➢ If the lease term is for the major part of the economic life of the asset even if the title is not transferred. Measures to identify this are:

- ▪ The economic life of the asset is deemed to be that which is consistent with the class of asset in the depreciation policy.
- ▪ The Council recognises 'major part' to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.

➢ At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. Measures to identify this are:

- ▪ Fair value of the leased asset is assessed by a RICS qualified valuer.
- ▪ The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease.

  - If this rate cannot be determined the incremental borrowing rate applicable for that year is used.
  - The Council recognises 'substantially all' to be 75% of the value of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.
- If the lessee cancels the lease, the losses of the lessor, associated with the cancellation are borne by the lessee.
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease).
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

A suitably experienced accountant, with assistance from qualified valuers, will make a judgement based on the level of risk and reward held by the Council as to whether a lease is operating or finance.

1.20. **Defining an Operating Lease**

The Council recognises an operating lease to be a lease which is not a finance lease.

1.21. **Lessee Accounting for a Finance Lease**

Where the Council is tenant in a property, or is, by definition of IFRIC 4, leasing an asset which is deemed under IAS 17 to be a finance lease the Council will recognise that asset within the asset register, and account for that asset as though it were an owned asset.

The initial recognition of the asset is at the fair value of the property, or if lower, the present value of the minimum lease payments. A liability is also recognised at this value, which is reduced as lease payments are made.

1.22. **Lessor Accounting for a Finance Lease**

Where the Council is the lessor for a finance lease, the asset is not recognised in the asset register; however, a long term debtor at the present value of minimum lease payments is recognised. Income received is split between capital – credited against the debtor, and finance income – credited to the Comprehensive Income and Expenditure Statement as interest receivable.

1.23. **Lessor Accounting for an Operating Lease**

Where the Council is the lessor for an operating lease, it will retain the property as either an item of Property Plant and Equipment or as an Investment Property on the Balance Sheet. Any rental income is credited to the relevant service income.

1.24. **Service Concession Agreements (Private Finance Initiative (PFI) and other similar contracts)**

PFI contracts are agreements to receive services, where the responsibility for making available the non-current assets needed to provide the services passes to the PFI contractor. PFI and similar contracts are assessed against criteria within IFRIC 12 Service Concession Arrangements to determine whether the risks and rewards incidental to ownership lie with the Council or the contractor.

Those which lie with the contractor – payments made during the life of the contract are chargeable to revenue as incurred.

Those which lie with the Council – are recognised as an asset in the Balance Sheet for the construction costs of the asset. Once recognised this asset is treated in line with all capital assets. A corresponding long-term liability is also recognised at the construction value. Payments made during the life of the contract are split into finance costs, capital costs and service costs. Determining the split of payments is calculated at the inception of the contract and is based on the inherent interest rate within the original agreement. Finance costs are chargeable to the Comprehensive Income and Expenditure Statement as Interest payable. Capital Costs reduce the level of liability in the Balance Sheet. Service costs are chargeable to the relevant revenue service expenditure. Pre-payments or Dowry payments reduce the level of liability at the start of the contract.

PFI Credits are treated as general revenue government grants.

1.25. **Capital Grants and Contributions**

The Council recognises capital grants and contributions as being related to capital assets and uses them to fund capital expenditure on those assets. Grants, contributions and donations are recognised as income at the date that the Council has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received.
Any grant received before these recognition criteria were satisfied would be held as a creditor. Any grant which had met the recognition criteria but had not been received would be shown as a debtor. This is in line with the Accruals Concept Policy.

Once the recognition criteria above have been satisfied, capital grants are recognised as income in the Comprehensive Income and Expenditure Statement.

In order to not impact on the level of Council Tax, the Council removes the credit from the General Reserves through the Movement in Reserves Statement and makes a credit to the Capital Grants Unapplied Reserve.

Once expenditure has been incurred on the related asset, the credit is removed from the Capital Grants Unapplied Reserve and credited to the Capital Adjustment Account.

1.26. **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure incurred that either may be capitalised under statutory provisions or is capital in nature but does not result in the creation of a fixed asset that is owned by the Council. REFCUS is charged as expenditure to the Comprehensive Income and Expenditure Statement in the year, however, is financed from existing capital resources or by borrowing. A transfer between the Capital Adjustment Account and the Movement in Reserves Statement then reverses out the impact on the general fund balance.

1.27. **Minimum Revenue Provision (MRP)**

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement.

The Council will provide for 2.5% of debt outstanding on all debt as at 31 March 2008. On any new debt since this date the Council will provide 2.5% of the balance on all borrowing, unless any unsupported borrowing relates to any significant assets with a life of less than 20 years. In this case an annual amount based on the expected useful life of the individual assets is used and where those assets are vehicles then an average life of five years is used.

The Council has adopted the policy of charging MRP for PFI and Leased Assets at the value of the associated loan liability repayment each year, thus mitigating the impact to the General Reserve.

1.28. **Capital Reserves**

The Council holds Capital Reserves for the purpose of financing capital expenditure. Reserves will be disclosed as either usable (available to fund capital expenditure) or unusable (reserves held as a result of timing differences associated with recognition of capital expenditure and related financing).

Movements in capital reserves are accounted through the Movement in Reserves Statement.

REVENUE ACCOUNTING

1.29. **Recognition of Revenue Expenditure**

The Council recognises revenue expenditure as expenditure which is not capital.

1.30. **Employee Costs**

In accordance with IAS 19, the Council accounts for the total benefit earned by employees during the financial year.

Employee Costs are split into 3 categories: short term benefits, termination benefits and pensions costs.

Short Term Employee Benefits

- **Salaries and Wages –** The total salary and wages earned by employees during the financial year are charged to the Comprehensive Income and Expenditure Statement. Where the amount accrued exceeds the amount paid at the 31 March, a creditor will be reflected in the accounts.

- **Leave Owed, Accumulating Absences –** The Council allows employees to earn time off in one period with the resulting cost to the Council in a later period when that time is either taken off or paid to the employee. Examples of this accumulating leave are annual leave, flexi-time and time off in lieu.

  If an employee were to leave the Council, cash payment would be made for entitlements such as annual leave; this leave is termed vesting. Where no cash payment would be due, the leave is termed non-vesting.

  In order to correctly reflect the cost of time owed to staff, a charge has been made to the Comprehensive Income and Expenditure Statement and a creditor accrual has been reflected in the Balance Sheet. This charge is reflective of the estimated time cost value of all accumulating leave owed to employees. Vesting leave will be charged in full; however non-vesting leave has been adjusted to reflect the turnover of staff.

- **Easter Bank Holiday –** When Good Friday and/or Easter Monday fall in April, the preceding financial year only accounts for 6 or 7 bank holidays rather than the statutory 8. When this occurs, a charge is made to the Comprehensive Income and Expenditure Statement and a creditor accrual is reflected in the Balance Sheet.

- **Non-accumulating Absences –** are periods of leave that cannot be carried forward for use in future periods. Examples include Maternity Leave, Special Leave, Sick Leave and Jury Service. The Council does not recognise non-accumulating compensated absences until the time that the absence occurs.

- **Non-monetary Benefits –** Where employees have non-monetary benefits (e.g. retirement benefits or life insurance), the associated cost of providing that benefit has been charged to the Comprehensive Income and Expenditure Statement.

Termination Benefits

- **Redundancy Costs –** The obligation to pay redundancy costs occurs when there is a formal plan to create redundancies. The plan would include the location, function and approximate number of employees affected; the termination benefits offered; and the time of implementation. When these recognition criteria have been met the Council recognises the costs associated with this in the service revenue expenditure and creates a creditor in the Balance Sheet. Where the payable amount is due in more than 12 months from the year end date, the costs are discounted at the rate determined by reference to market yields. In the case of an offer to encourage voluntary redundancy, the Council has recognised the estimated cost based on the expected number of employees taking the offer.

The Council will disclose details of exit packages within the notes to the accounts.

Pensions Costs

- **Teachers' Pension Scheme –** is a defined benefit scheme administered by the Department for Education. The assets and liabilities of the Teachers' Pension Scheme are not attributable to the Council, therefore the Council accounts for the scheme as if it were a defined contribution scheme. This means that the Children and Education Services line in the Comprehensive Income and Expenditure Statement will only include the Council's contributions payable to the scheme.

- **Local Government Pension Scheme –** is a defined benefit scheme. The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions such as mortality rates and employee turnover rates, and projections of earnings for current employees.

  Pension liabilities are measured using the projected unit method, discounted using the rate on high quality corporate bonds of equivalent term to the liabilities. The discount rate is the weighted average of "spot yields" on AA rated corporate bonds.

The change in the net pension liability is analysed into seven components:

- Current Service Cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement within the relevant service area dependant on staff employed at the Council. The current service cost includes an allowance for administration expenses
- Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs

- Gains/Losses on Settlements and Curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
- Interest Income on Plan Assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
- Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Movement in Reserves Statement.
- Employer Contributions – cash paid by the Council to the Pension Fund.

In relation to retirement benefits, statutory provisions require the General Reserve to be charged with the amount payable by the Council to the Pension Fund in the year, not the amount calculated according to the relevant accounting standards. Adjustments are therefore made in the Movement in Reserves Statement.

➢ **Early Retirement, Discretionary Payments –** the Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies which are applied to the Local Government Pension Scheme.

1.31. **Lessee Accounting for an Operating Lease**

Costs associated with operating leased assets where the Council is the lessee are charged immediately to the Comprehensive Income and Expenditure Statement within the Net Cost of Services on an accruals basis.

1.32. **Revenue Grants and Contributions**

Grants, contributions and donations (referred to as grants for the purposes of this policy) are recognised as income at the date that the Council has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received. Any grant received before these recognition criteria were satisfied would be held as a creditor (income in advance). Any grant which had met the recognition criteria but had not been received would be shown as a debtor.

Revenue grants will either be received to be used only for a specific purpose or can be used for general purpose. Those for a specific purpose are recognised in the Comprehensive Income and Expenditure Statement within the Net Cost of Services.

Those which are for general purpose are shown within Other Operating (Income) and Expenditure in the Comprehensive Expenditure and Income Statement.

1.33. **Income from Service Recipients**

Income from service recipients is defined as consideration that a party, which has contracted with the Council, has given in exchange for goods or services that are the output of the Council's normal operating activities. Such a contract may be in writing, orally or in accordance with customary business practices. These may include:

- Charges for service provided by the Council.
- Sale of goods provided by the Council.
- Fees and charges for services under statutory requirements where there is an exchange of assets or services, such as the issuing of a licence or processing of an application.

In such cases the Council recognises income when it has satisfied the performance obligation by transferring the promised goods or services to the service recipient. The point of transfer is when the service recipient takes control of the goods or benefits from the service.

The Council deems performance obligations to be satisfied over time, rather than at a point in time if any of the following criteria are met:

- The service recipient simultaneously receives and consumes the benefits of a service.
- The Council's performance enhances an asset that the service recipient controls.
- The Council has an enforceable right to payment for performance completed to date and that performance does not create an asset for which it has an alternative use.

Such income is recognised in the Comprehensive Income and Expenditure Statement within the Net Cost of Services.

1.34. **Provisions**

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.
Provisions are charged to the appropriate service revenue account in the year that the Council recognises an obligation, based on the best estimate of the likely settlement. When payments are eventually made, it is charged to the provision. Where payment is not expected for more than 365 days after the balance sheet date, the provision has been discounted using the rate of a high quality corporate bond.

Estimated settlements are reviewed at the end of each financial year and adjustments with the Comprehensive Income and Expenditure Statement are made as required.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income if it is virtually certain that reimbursement will be received if the obligation is settled.

The Council does not hold any general provisions.

1.35. **Revenue Reserves**

The Council holds usable revenue reserves for the purpose of funding future expenditure. The General Reserve represents the balance of reserves to meet short term, unforeseeable expenditure and to enable significant changes in resources or expenditure to be properly managed over the period of the Five Year Financial Plan. Earmarked Reserves represent balances where approval has been received to use the reserve for a specific purpose.

Unusable revenue reserves represent timing differences such as those associated with the recognition of retirement benefits, Council tax income and financial instruments.

Movement in reserves are accounted through the Movement in Reserves Statement.

The Council publishes a separate Reserves Policy document, which is reviewed by Cabinet at least annually.

1.36. **Research Costs**

Research costs should be treated as revenue expenditure at the point in which they are incurred and charged to the Comprehensive Income and Expenditure Statement.

1.37. **Members' Allowances**

The Council in exercise of the powers and duties conferred by the Local Authorities (Members' Allowances) (England) Regulations 2003, has established a Members Allowance Scheme, outlining the allowances payable to Members of the Council.
Members are reminded of the need to keep detailed supporting information, such as a diary, about every attendance for which they claim. This information should be available for scrutiny by the Council's Auditors or other relevant persons as and when required. The scheme is updated annually, and full details are available on the Council's website.

The total amount paid in terms of Members Allowances is disclosed in the notes to the accounts.

1.38. **Council Tax and Business Rates Recognition**

Council Tax and Business Rates income included in the Comprehensive Income and Expenditure Statement includes the Council's share of accrued income recognised by billing authorities in the production of the Collection Fund Statements.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Reserve is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

1.39. **Inventories and Work in Progress**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Inventory is recorded in terms of average cost, with the exception of fleet parts where the cost is recorded on a first in, first out basis.

Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

1.40. **Loss Allowance for Expected Credit Losses**

The Council maintains a loss allowance for any amounts it is due to receive from its debtors or investments which might become uncollectable.

Credit risk is assessed based on the expectation of a debtor's or an investment issuer's ability to pay future cash flows due under the contractual terms. This risk is estimated, where possible, based on historical loss experience, the debtor's or investment issuer's credit rating and other impacting factors including forward-looking information.

The loss allowance for an investment is initially measured at an amount equal to the portion of the lifetime credit losses which might be expected from a default event within 12 months of the balance sheet date. If the Council considers that the risk of default on an investment has increased significantly since the investment was initially recognised it will measure the loss allowance at an amount equal to the total lifetime credit losses expected from a default event.

At each Balance Sheet date, the Council makes a two-stage assessment of significant increases in credit risk since initial recognition:

- Firstly, whether there is evidence of a significant increase for an individual debtor or investment that is significant, and
- Secondly, whether there is evidence of a significant increase for groups of similar debtors or investments.

The Council adopts the simplified approach of measuring the loss allowance for debtors at an amount equal to the total lifetime credit losses expected from a default event, from the time a debtor is initially recognised.

No loss allowance is recognised for expected credit losses where the debtor or investment issuer is central government or another local authority for which relevant statutory provisions prevent default.

Loss allowances are offset against the debtor or investment amount shown as an asset. The movement in the allowance is charged to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

TREASURY MANAGEMENT

1.41. **Definition of Treasury Management Activities**

The Council has adopted the following definition of Treasury Management activities:

The management of the Council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.

The Council acknowledges that effective treasury management will provide support towards the achievement of its service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

1.42. **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in the value.

1.43. **Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost.

Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus any interest accrued to 31 March and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Any premiums or discounts, incurred on the early repayment of loan debt, arising from 1 April 2007 are taken immediately to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement in the year of repayment. However, the amount is then credited or debited to the General Reserve and transferred to the Financial Instruments Adjustment Account via the Movement in Reserves Statement as required by statute.

The regulations allow that the premium or discount is amortised over periods specified in the statutory guidance. In accordance with the guidance the Council has a policy of spreading the premium or discount over the remaining term of the original loan, or a minimum of 10 years in the case of discounts. This amortisation is managed by a transfer from the Financial Instruments Adjustment Account to the General Reserve via the Movement in Reserves Statement.

Where a loan has been restructured, by a modification to the terms of the existing loan or by an exchange of debt instruments with the existing lender, and the terms are substantially different, the original financial liability is extinguished and a new financial liability is recognised. The difference between the carrying amount of the new and extinguished liability and any consideration transferred is recognised in Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Where the terms of a loan debt exchange or the modification to the terms of an existing loan are not substantial, the carrying amount of the liability is adjusted to the value of the remaining cash flows required by the new terms, including any premiums or discounts paid/received, discounted to present value at the original loan's effective interest rate. Any gain or loss on modification is credited and debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.
A modification of terms is deemed to be substantially different if the present value of the cash flows under the new terms, including any premiums or discounts paid/received, is at least 10% different from the present value of the cash flows under the old terms. In both cases the present value is calculated by reference to original loan's effective interest rate.

1.44. **Financial Assets**

Financial assets are classified into three types according to the Council's business model for managing those assets and the characteristics of the cash flows of the asset:

1) **Financial Assets Measured at Amortised Cost** – assets where it is the Council's intention to hold the asset to collect the contractual cash flows and those cash flows consist solely of payments of principal and interest which arise on specified dates

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus any interest accrued to 31 March and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. However, the Council could make loans to organisations at less than market rates (soft loans).

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Reserves is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Reserves is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Investments are represented on the balance sheet depending on their remaining life at the Balance Sheet date:

- Investments entered into for 90 days or less – debited to the cash balance as cash equivalents and represented within the cash flow statement.
- Investments entered into for more than 90, with less than 365 days until maturity – debited to current asset investments
- Investments due to expire in more than 365 days – debited to non-current asset investments

2) **Financial Assets Measured at Fair Value Through Other Comprehensive Income** – assets where it is the Council's intention to hold the asset both to sell the asset and to collect the contractual cash flows and those cash flows consist solely of payments of principal and interest which arise on specified dates, or assets which are equity instruments which it is the Council's intention to hold for more than 12 months and which the Council has irrevocably elected to present changes to their fair value in Other Comprehensive Income and Expenditure

These assets are initially measured and carried at fair value. Where the asset has determinable payments of dividends or interest, these are credited to the Comprehensive Income and Expenditure Statement. Interest receivable is based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Dividends are recognised when the Council's right to receive the payment has been established and the amount can be measured reliably.

Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

Changes in fair value are balanced by an entry in the Financial Instrument Revaluation Reserve and the gain/loss is recognised in Other Comprehensive Income and Expenditure and the Movement in Reserves Statement. Impairment of these assets, due to expected credit losses, is charged to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement and credited to a loss allowance account which reduces the carrying value of the financial asset. Any gains and losses that arise on de-recognition of the asset are credited/debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

3) **Financial Assets Measured at Fair Value Through Profit or Loss** – assets which are neither measured at amortised cost nor where changes to fair value are presented in Other Comprehensive Income and Expenditure

These assets are initially measured and carried at fair value. Where the asset has determinable payments of dividends or interest, these are credited to the Comprehensive Income and Expenditure Statement. Interest receivable is based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Dividends are recognised when the Council's right to receive the payment has been established and the amount can be measured reliably.
Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

Changes in fair value are balanced by an entry in Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

1.45. **Interests in Companies and Other Entities**

Where the Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures, it is required to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as investments, i.e. at cost, less any provision for losses.

Audit Opinion to be inserted

Audit Opinion to be inserted

Audit Opinion to be inserted

Audit Opinion to be inserted

Audit Opinion to be inserted

Public

Statement of Accounts Derbyshire Pension Fund 2021-22

Version History			
Version	**Date**	**Detail**	**Author**
0.4	19.06.23	Post-audit accounts with audit updates – updated IAS 26 report with reference to actuarial valuation as at 31.03.22, received from Actuary on 15.06.23	E Scriven

This document has been prepared using the following ISO27001:2013 standard controls as reference:

ISO Control	Description
A.8.2	Information classification
A.7.2.2	Information security awareness, education and training
A.18.1.1	Identification of applicable legislation and contractual requirements
A.18.1.3	Protection of records
A.18.1.4	Privacy and protection of personally identifiable information

EXPLANATORY FOREWORD

Derbyshire County Council administers the Local Government Pension Scheme (LGPS) for employees, pensioners and dependents of a variety of bodies in Derbyshire, including Councils; Police and Fire Authorities (for civilian employees); the University of Derby, Colleges and Academies (non-teaching staff); Charities and some private companies providing services to local councils.

Derbyshire Pension Fund (the Pension Fund/Fund) has over 330 participating employers and over 105,000 membership records, relating to approximately 91,000 members, either active contributors, pensioners or deferred pensioners (people who have stopped paying into the scheme but are not yet receiving a pension).

The benefits payable to members within the Fund are determined by regulations and are guaranteed. Assets in the Fund meet members' benefit payments when they fall due and are accumulated through a combination of contributions from employees and employers within the Fund and from investment returns (both income and capital). Although the profile of the Pension Fund is gradually maturing, it continues to be cashflow positive, with combined contributions and investment income exceeding benefit payments on an annual basis.

Following the local elections in May 2021, the Pensions and Investments Committee (the Committee) welcomed six new members and a new Employer Representative joined the Pension Board in February 2022.

During the year, the Committee has approved policies relating to new employer flexibilities as part of an updated Funding Strategy Statement, and has received the Fund's second Task Force on Climate-related Financial Disclosures Report which describes the way in which climate-related risks are managed by the Pension Fund, and which noted the positive progress made in respect of the targets included in the Fund's Climate Strategy.

At the end of March 2022, the value of the Fund's assets had risen to just over £6.1bn, with the Fund achieving positive investment returns in three out of the four quarters of 2021-22. Investment returns were helped at the beginning of the year by the £1.9bn stimulus package agreed in the US at the end of the previous fiscal year, by the successful vaccine rollout in developed markets and by continued commitments to loose monetary policy by central banks. Concerns built about rising levels of inflation throughout the rest of the year, with the rhetoric of the central banks increasingly referring to the need for multiple interest rate hikes. In December 2021, the Bank of England became the first major central bank to increase rates since the pandemic; with the US Federal Reserve starting to increase rates in March 2022. Russia's invasion of Ukraine and the expectation of continued interest rate increases to tackle inflation, weighed heavily on investor confidence in the final quarter of the year resulting in negative quarterly returns. However, for the year as a whole the Fund delivered a positive investment return of 7.6%.

The Fund continued to work closely with its partners in the LGPS Central Pool, overseeing the continued development of LGPS Central Limited (LGPSC), the company established to manage investments on behalf of the LGPS Central Pool. LGPSC is currently managing the Fund's investment grade bonds allocation and a portion of the Fund's emerging market equity and global sustainable equity allocations through pooled products and a commitment has been made to the company's private debt fund. The Fund expects further assets to be transitioned into LGPSC pooled products in 2022-23.

The rollout of the i-Connect system continued during with year with employers representing over 80% of the Fund's membership now using the automated data submission and validation system.

In June 2021, My Pension Online, the Fund's member self-service system, was launched. By the end of the year, almost 20% of the Pension Fund's combined active and deferred members had registered on the system.

A separate Annual Report is produced for the Fund which, in addition to the Fund's accounts, includes the governance arrangements for the Fund, detailed performance information and the Fund's approved policy statements. The Annual Report is available on Derbyshire Pension Fund's website:
https://www.derbyshirepensionfund.org.uk/publications/annual-report/annual-report.aspx

Membership Statistics

The Fund has over 105,000 membership records, relating to approximately 91,000 members, either active contributors, pensioners, or deferred pensioners:

	Actuals		
	31 Mar 2020	**31 Mar 2021**	**31 Mar 2022**
Contributors	40,125	38,065	38,170
Pensioners and Dependants	31,548	32,463	33,699
Deferred Pensioners	33,164	32,427	33,634

Employers' Contributions

Employers pay pension contributions into the Fund. The contribution rates payable by the County, Unitary and District Councils expressed as a percentage of pensionable payroll and fixed cash amounts are:

Council	2021-22	2022-23
Derbyshire County Council	15.5% plus £15.536m	15.5% plus £15.536m
Derby City Council	14.5% plus £6.981m	14.5% plus £6.981m
Amber Valley Borough Council	15.0% plus £1.057m	15.0% plus £1.057m
Bolsover District Council	14.9% plus £0.962m	14.9% plus £0.962m
Chesterfield Borough Council	15.2% plus £1.991m	15.2% plus £1.991m
Derbyshire Dales District Council	14.6% plus £0.561m	14.6% plus £0.561m
Erewash Borough Council	14.1% plus £0.999m	14.1% plus £0.999m
High Peak Borough Council	13.4% plus £1.833m	13.4% plus £1.833m
North East Derbyshire District Council	14.7% plus £1.527m	14.7% plus £1.527m
South Derbyshire District Council	14.8% plus £0.678m	14.8% plus £0.678m

The percentage rates that were determined by the Actuary in the valuation of the Fund at 31 March 2019, for 2020-21 to 2022-23, and in the valuation of the Fund at 31 March 2022, for 2023-24 to 2025-26, are intended to cover the cost of future service of active Fund members, with the past service deficit being addressed by an annual fixed cash amount.

Members' Contributions

For 2021-22 the contribution rates payable by members into the Fund are determined by The Local Government Pension Scheme 2013 Regulations. The rates are between 5.5% and 12.5% of members' pay, including non-contractual overtime, depending on their pay banding. There is no change to these rates for 2022-23.

Investment Policy

During 2021-22, responsibility for policy matters rested with a Pensions and Investments Committee, which was comprised of eight County Councillors, two Derby City Councillors and one non-voting Trade Union representative. The Pensions and Investments Committee received advice from the Council's Section 151 Officer and from one independent external adviser.

Day-to-day management of the Fund is delegated to the Council's Section 151 Officer and their in-house staff, operating within a policy framework laid down by the Committee.

Policy is determined by reference to The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which require that advice is taken at regular intervals and place an onus on administering authorities to determine the balance of their investments and take account of risk.

The Fund has a central (strategic) benchmark asset allocation which is designed to meet the performance requirements for the level of risk agreed by the Pensions and Investments Committee. The Fund's benchmark asset allocation was changed on 1 January 2021 and 1 January 2022, following changes to the Fund's Investment Strategy Statement approved in November 2020, together with the development of a standalone Responsible Investment Framework and Climate Strategy. The new asset allocation benchmark includes a 2% switch from Growth Assets to Income Assets, together with some of the Fund's regional equity allocations being switched into Global Sustainable Equities. Given the size of the changes between the former and new asset allocation benchmark, the transition was split into two phases, through an intermediate asset allocation benchmark, which came into effect on 1 January 2021, and a final asset allocation benchmark, which came into effect on 1 January 2022. The Pensions and Investments Committee has a degree of flexibility around the central benchmark allocation and decides the specific allocations (weights) for each asset class at its quarterly meetings. In the table below, the column showing the benchmark return is what would have been achieved via neutrally weighted index returns, whereas the actual Fund returns are a function of both active asset allocation and active stock selection decisions.

Investment Returns

The table below shows the Fund's returns over 1, 3, 5 and 10 years to 31 March 2022, compared to those of its strategic benchmark, as well as the impact of inflation on Fund returns.

	Return		Inflation	Derbyshire Pension Fund Real Return
Periods to 31 Mar 2022	**Derbyshire Pension Fund**	**Benchmark**	**CPI**	**Versus CPI Inflation**
	% pa	**% pa**	**%**	**%**
1 Year	7.6	7.3	7.0	0.6
3 Years	7.4	6.9	3.0	4.4
5 Years	6.3	5.9	2.7	3.6
10 Years	8.4	7.9	2.1	6.3

On a year by year basis, returns tend to fluctuate significantly according to economic and market conditions. Long-term returns are a more appropriate guide to the performance of the Fund.

The Fund out-performed over the one, three, five and ten year periods relative to the benchmark. It is important to note that the Fund delivered real returns over all time periods, with returns ahead of inflation in each time period. UK inflation increased significantly in 2021-22, from 0.7% in March 2021 to 7.0% in March 2022, reflecting rising energy costs and tight global supply chains following the Covid-19 pandemic.

Markets remained volatile in 2021-22, with the Covid-19 pandemic continuing to affect markets. Whilst the Omicron variant eased concerns about Covid-19, being more transmissible but with fewer hospitalisations, inflationary pressures increased significantly in the final quarter of 2021-22, as concerns that the impact of higher prices would be longer lasting than first anticipated by the central banks. Markets responded by pricing-in faster interest rate rises, pushing up government bond yields. The expectation of higher interest rates drove a rotation out of growth stocks into value stocks, with investors favouring tangible 'real' assets over intangible assets. The outbreak of the conflict between Russia and Ukraine also weighed on investor confidence in the final quarter of 2021-22. The Fund's 2021-22 return of 7.6% compared to a 2020-21 return of 21.0%. The Fund's 2020-21 return reflected a sharp recovery and reversal of the 2019-20 sell off caused by the outbreak of the Covid-19 pandemic in the final quarter of 2019-20. In the year to 31 March 2022, equity returns to Sterling investors ranged from -4.3% in Asia Pacific Ex-Japan to 19.7% in North America.

Government bond returns were mixed in 2021-22. UK Gilts returned -5.1% but expectations of higher inflation pushed up the return from UK Index-Linked bonds to 5.1%. UK investment grade bonds returned -5.4%.

Property (70% direct / 30% indirect) returned 18.8% in 2021-22, up from 2.7% in 2020-21, as the UK property market recovered from the impacts of the Covid-19 pandemic. This was also reflected in improved levels of rent collection, albeit this continued to differ by sector.

Actuarial Position of the Fund

Every three years an actuarial valuation of the Fund is undertaken, in accordance with the provisions of The Local Government Pension Scheme Regulations 2013. The purpose of the valuation is to review the funding strategy and ensure that the Fund has a contribution plan and investment strategy in place that will enable it to pay members' benefits as they fall due. A valuation of the Fund was most recently undertaken as at 31 March 2022 and set the level of contributions payable by each participating employer for the three years commencing 1 April 2023.

At 31 March 2022, the Net Assets of the Fund were £6.132bn and the Past Service Liabilities were £6.131bn. The Fund had a small surplus of £1m at that date. The Fund's Funding Strategy Statement is available on the Council's website at:
https://www.derbyshirepensionfund.org.uk/publications/policies-strategies-and-statements/funding-strategy.aspx

The funding level is the Fund's ratio of assets to liabilities at the valuation date. The funding level at the 2022 valuation was 100%, which is an improvement on the funding level at the 2019 valuation of 97%. This means that the Fund's assets were sufficient to meet 100% of its liabilities (the present value of promised retirement benefits) accrued up to that date. For the purposes of reporting a funding level, an investment return of 3.8% was assumed.

A market-related approach was taken to valuing the Fund liabilities, for consistency with the valuation of the Fund assets at their market value. The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership. An allowance has been at included at this valuation for the expected benefit change related to the McCloud remedy.

A number of factors, both positive and negative, impacted on the overall funding level in the 2022 valuation, with an overall improvement in funding of £0.164bn over the three years to 31 March 2022, an improvement of £0.304bn compared to the expected position.

The actual investment return on the Fund's assets for the period 31 March 2019 to 31 March 2022 was better than expected, increasing the market value of the Fund's assets, and improving the funding position, by £1.212bn, £0.655bn more than expected. The accrual of new benefits reduced the funding position by £0.575bn to 31 March 2022, albeit this reduction was £0.071bn lower than expected.

Other membership experience in the period since the last valuation increased the value of the Fund's liabilities and reduced the funding position by £0.172bn. Changes in future expectations further reduced the actual funding position at 31 March 2022 by £0.252bn, with an improvement in investment returns and other demographic assumptions being more than offset by changes in inflation, salary increases and longevity assumptions, used to calculate the present value of the Fund's liabilities.

Assumptions used in the March 2022 actuarial valuation:

	Assumption
Benefit Increases (Consumer Price Index (CPI) Inflation)	2.70%
Career Average Revalued Earnings (CARE) Revaluation (CPI Inflation)	2.70%
CPI Inflation	2.70%
Discount Rate	3.80%
Future Investment Return*	3.80%
Life Expectancy for Current Pensioners - Women Age 65	24.3 years
Life Expectancy for Future Pensioners - Women Age 45	25.8 years
Life Expectancy for Current Pensioners - Men Age 65	21.3 years
Life Expectancy for Future Pensioners - Men Age 45	22.2 years
Salary Increases**	3.70%

* 77% likelihood that the Fund's assets will return at least 3.8% over the 20 years following the 2022 actuarial valuation date. This is the same methodology used for the 2019 actuarial valuation.
** Plus a promotional salary scale.

The contribution rates required have been determined using a "risk based" approach. The level of contribution rate to give an appropriate likelihood of meeting an employer's funding target, within the agreed timeframe, is determined for each employer. The full rate of an employer's contribution provides for the cost of year-by-year accrual of benefits in respect of current Fund members and the amount required to meet a shortfall in respect of the assets required for pensions in payment (including those payable to survivors of former members) and benefits accrued by other members, which will become payable in the future (known as a past service deficiency).

Since 31 March 2022, markets have continued to be affected by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates, which reduces the value placed on the Fund's liabilities.

As an open scheme, with a strong covenant, the Fund takes a long-term view when considering the funding impact of such events. For employers who have a very short time horizon, recent volatility may be more immediately impactful, and the Fund has engaged with these employers as appropriate. No explicit allowance has been made for this volatility in the valuation results or contribution rates detailed in the Rates & Adjustments Certificate. The Fund will continue to monitor changes in the financial and demographic environment as part of its ongoing risk management approach. The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Further Information

Derbyshire Pension Fund's Investment Strategy Statement, Funding Strategy Statement, Actuarial Valuation Report, Governance Policy and Compliance Statement, Communications Statement and Annual Report are available on the Derbyshire Pension Fund's website at http://www.derbyshirepensionfund.org.uk .

FUND ACCOUNT

2020-21 £m		Note	2021-22 £m
	Dealings with Members, Employers and Others Directly Involved in the Fund		
190.806	Contributions	6,23	193.536
14.461	Transfers in from Other Pension Funds	7	11.940
205.267			**205.476**
(173.458)	Benefits	8,23	(185.578)
(10.858)	Payments to and on Account of Leavers	9	(18.262)
(184.316)			**(203.840)**
20.951	**Net Additions from Dealings with Members, Employers and Others Directly Involved in the Fund**		**1.636**
(30.360)	Management Expenses	10	(32.413)
(9.409)	**Net (Withdrawals) Including Fund Management Expenses**		**(30.777)**
	Return on Investments		
57.404	Investment Income	11	62.217
(0.236)	Taxes on Income	12	0.018
1,001.675	Profits and Losses on Disposal of Investments and Changes in Value of Investments	13	393.710
1,058.843	**Return on Investments**		**455.945**
1,049.434	**Net Increase in the Net Assets Available for Benefits During the Year**		**425.168**
4,657.483	Opening Net Assets of the Fund		5,706.917
5,706.917	**Closing Net Assets of the Fund**		**6,132.085**

NET ASSETS STATEMENT

31 Mar 2021 £m		Note	31 Mar 2022 £m
5,670.948	Investment Assets	13-15	6,092.012
(4.148)	Investment Liabilities	13-15	(2.980)
49.185	Current Assets	17	53.926
(9.068)	Current Liabilities	18	(10.873)
5,706.917	**Net Assets of the Scheme Available to Fund Benefits at the Period End**		**6,132.085**

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pensions and Investments Committee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial present value of promised retirement benefits is disclosed in Note 22 of these accounts.

Derbyshire Pension Fund ("the Fund") is administered by Derbyshire County Council and is governed by Local Government Pension Scheme Regulations and associated pension legislation. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended).
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended).
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Fund is a funded defined benefit scheme, administered locally by the Council on behalf of its own employees (except teachers, former NHS employees and new employees working in Public Health, for whom separate pension arrangements apply), Unitary and District Council employees within Derbyshire and employees of other bodies who are specifically authorised by the Regulations. On 1 April 2014, the Fund, which had previously been a final salary scheme, became a Career Average Revalued Earnings (CARE) scheme.

1. Basis of preparation

The accounts have been prepared on a going concern basis, in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 ("the Code"), which is based upon International Financial Reporting Standards (IFRS), which require the Fund's accounts to comply with IAS 26 Accounting and Reporting by Retirement Benefit Plans, subject to the interpretations and adaptations for the Public Sector detailed in the Code and the Statement of Recommended Practice 2018 ("SORP"): Financial Reports of Pension Schemes insofar as it is relevant.

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pensions and Investments Committee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial present value of promised retirement benefits is disclosed in Note 22 of these accounts.

The amount of separately invested Additional Voluntary Contributions ("AVCs") paid by members during the year and their value at the net assets statement date are not included in the Pension Fund financial statements in accordance with Regulation 4 (1)(b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. Members' AVCs are disclosed in Note 16 of these accounts.

2. Accounting policies

Contributions
Employee contributions are accounted for when deducted from members' pay. Employer normal contributions are accounted for in the period to which the corresponding pay relates. Other employer contributions, such as deficit funding contributions, are accounted for in accordance with the agreement under which they are paid, or in the absence of an agreement, on a cash basis.

Benefits
Benefits and payments to leavers are accounted for in the period they fall due for payment. Where a member has a choice about the form of their benefit, the benefit is accounted for and the liability is recognised when the member notifies the Council of their decision as to what form of benefit they will take. Where a member has no choice about the form of benefit, the benefit is accounted for in the period of leaving/retirement/death, being the period in which the liability to pay the benefit arises.

Transfers
Where past service liabilities do not transfer between schemes until assets/liabilities have been transferred, transfers are accounted for on a cash basis. Where trustees have agreed to accept past service liabilities in advance of the transfer of funds, the transfer is accounted for in accordance with the terms of the agreement.

Management expenses
Management expenses are accounted for on an accruals basis. They are analysed in accordance with CIPFA Guidance "Accounting for Local Government Pension Scheme Management Costs (2016)".

Investment income
Dividends from quoted securities are accounted for when the securities are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statements as an investment asset. Rent is accounted for in accordance with the terms of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Interest on cash and bonds is accrued on a daily basis. Income arising on the underlying investments of accumulation funds is accounted for within change in market value of investments. Distributions from pooled investment vehicles are recognised at the date of issue. Distribution income is accounted for on an accruals basis and any outstanding amount is included in the Net Asset Statement as an investment asset.

Taxes on income
The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of The Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable taxation is accounted for as a fund expense as it arises.

Foreign currency transactions
Dividends, interest and purchases and sales of investments in foreign currencies are accounted for at the market exchange rate at the date of transaction. End of year market exchange rates are used to value overseas assets at the end of the accounting period.

Exchange gains and losses relating to the translation of investments are accounted for as part of change in market value included in the Fund Account and those relating to current assets and liabilities are accounted for within the Fund Account under an appropriate heading.

Cash and cash equivalents
Cash comprises cash in hand and on-demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Basis of valuation

Financial assets and liabilities are included in the net assets statement on a fair value basis as at the reporting date. A financial asset or liability is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset or liability. From this date any gains or losses arising from changes in the fair value of the asset or liability are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (Note 15). The basis of valuation of each class of financial investment asset and liability is set out in Note 15.

3. Accounting Standards issued and not yet applied

At the balance sheet date, the following interpretations, new standards and amendments to existing standards have been published but not yet adopted by the Code:

- Annual Improvements to IFRS Standards 2018–2020. The annual IFRS improvement programme notes the following changed standards:
  - IFRS 1 (First-time adoption) – amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS.
  - IAS 37 (Onerous contracts) – clarifies the intention of the standard.
  - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

None of the matters covered in the annual improvements are dealt with in detail in the 2022-23 Code. During the consultation process on the 2022-23 Code CIPFA/LASAAC did not envisage them having a significant effect on local authority financial statements. The Fund has concluded that these amendments would not have impacted on the Fund's 2021-22 accounts.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16). The Fund has no Property, Plant and Equipment and these amendments would not have impacted on the Fund's 2021-22 accounts.

IFRS 16 (Leases) is not included in the list above because early adoption in 2022-23 is not currently envisaged.

4. Critical judgements made in applying the accounting policies

In applying the accounting policies in Note 2, it has not been necessary to make any critical judgements.

5. Assumptions made and other estimation uncertainty

Valuation of investment assets

Russian assets

On 24 February 2022, Russia invaded Ukraine. The invasion drew widespread condemnation and led to globally coordinated financial sanctions against the Russian economy, the President of Russia and other associated individuals and organisations. The assets of the Russian central bank were frozen and Russian banks were removed from the SWIFT international payment system. The Russian domestic stock exchange was initially closed, and whilst it has subsequently reopened, global sanctions severely limit the ability of investors to trade Russian securities.

The Fund had around £12m invested in Russian companies prior to the start of the invasion, which is 0.2% of the Fund's total investment assets. In March 2022, both MSCI and FTSE Russell (the main index providers used by the Fund's investment managers) announced that they were deleting Russian securities from their indices. As a result, the Fund's Russian investments were fully written down to zero at 31 March 2022, which means that they have no value assigned in the Fund's accounts at 31 March 2022, albeit the investment vehicles in which these securities are held continue to own these securities at that date because the sanctions restrictions severely limit the ability to sell these securities at present. Whilst the remainder of the Fund's investment assets may indirectly be exposed to the impact of the conflict between Russia and Ukraine, this has either been reflected in the investment valuation at 31 March 2022, or the impact is not considered material.

Basis of valuation

The Fund's basis of valuation for each class of financial investment is set out in greater detail in Note 15 to these accounts, and there have been no changes to the valuation techniques used in the year. A significant proportion of the Fund's financial investments relate to Level 1 assets, where there is a readily available daily bid market price and Level 2 assets, where the fair value can be determined based on other market data or market prices, and cash deposits.

The remainder of the Fund's financial investments relate to Level 3 assets, including equity index tracking funds, unquoted private equity, infrastructure, private debt investments and indirect property assets. These assets are valued using the most recently reported net assets statement for that investment, adjusted for drawdowns and distributions to the final day of the accounting period, if the net assets statement is not produced to that date.

Level 3 assets also include the Fund's direct property portfolio, which is independently valued by the Fund's external property valuer, Savills, at market value on the final day of the accounting period, determined in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards. In its March 2022 Valuation Report, Savills noted that "following the invasion of Ukraine by the Russian military on 24 February 2022, there has been an immediate impact on the global economy due, in part, to sanctions imposed on Russia, Russian businesses and Russian individuals, rising oil and gas prices and the restriction of exported goods from Ukraine and Russia. It remains to be seen what impact this will have on the UK economy, including inflation and interest rates, and the property markets. We continue to monitor the situation closely and in due course, it may be appropriate for us to reflect further on our market commentary and any potential impact on value. Accordingly, we stress the importance of the valuation date. For the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined in the RICS Valuation – Global Standards."

The value of the Fund's Level 3 assets at 31 March 2022 was £3,227.013m, accounting for 53.0% of total investment assets. The estimated impact of price risk in respect of Level 3 assets is ±6.0%, equating to £194.268m at 31 March 2022. Potential price changes are determined based on the observed historical volatility of asset class returns, for example, 'risker' assets such as equities display greater volatility than bonds. Note 15 provides further details, including a breakdown of the Level 3 assets, the nature of the assumptions that give rise to uncertainty, and a sensitivity analysis in respect of values at 31 March 2022.

Actuarial present value of promised retirement benefits

These accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year; however, the actuarial present value of promised retirement benefits is disclosed in these accounts. Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Fund investments. The Fund has engaged Hymans Robertson LLP as its Actuary to provide expert advice about the assumptions to be applied. The effect of changes in these estimates on the Fund's actuarial present value of promised retirement benefits is disclosed in the Report of the Actuary, in Note 22.

6. Contributions

	2020-21 £m	2021-22 £m
Employers		
Normal	110.139	111.891
Deficit Funding	37.637	37.081
Members		
Normal	43.030	44.564
	190.806	**193.536**

Employers' contributions rates payable in 2020-21 and 2021-22 were set as part of the 2019 valuation which revealed an overall funding level of 97%.

On 30 April 2020, Derbyshire County Council paid employer contributions of £56.379m to the Fund, for 2020-21. This advance payment was based on an estimate of pensionable pay. Derbyshire County Council's employer contributions payable for 2020-21, based on actual pensionable pay, are £54.447m, which is £1.932m less than the advance payment. The excess cash payment of £1.932m is included in the Fund's current liabilities at 31 March 2021, within the balance of £4.169m which the Fund owed to Derbyshire County Council. This excess amount has been retained by the Fund and accounted for as employer deficit funding contributions in 2021-22 in accordance with the agreement formalised in the Derbyshire County Council 2021-22 Rates and Adjustments Certificate agreed with the Actuary.

On 30 April 2021, Derbyshire County Council paid employer contributions of £55.781m to the Fund, for 2021-22. This advance payment was based on an estimate of pensionable pay. Derbyshire County Council's employer contributions payable for 2021-22, based on actual pensionable pay, are £55.295m, which is £0.486m less than the advance payment. The excess cash payment of £0.486m has also been retained by the Fund and accounted for as employer deficit funding contributions in 2021-22 in accordance with the Derbyshire County Council 2021-22 Rates and Adjustments Certificate agreed with the Actuary.

On 15 October 2020, Derby Homes Limited paid employer contributions of £3.535m to the Fund, for an eighteen-month period, October 2020 to March 2022. Of this payment, £2.184m relates to 2021-22, and these contributions are accounted for as employer deficit funding contributions in 2020-21.

An analysis of contributions by participating employer type is disclosed in Note 23 of these accounts.

7. Transfers in from other pension funds

	2020-21	2021-22
	£m	£m
Individual transfers in from other pension funds	**14.461**	**11.940**

8. Benefits

	2020-21 £m	2021-22 £m
Pensions	141.410	146.923
Commutation of pensions and lump sum retirement benefits	28.258	32.711
Lump sum death benefits	3.790	5.944
	173.458	**185.578**

An analysis of benefits by participating employer type is disclosed in Note 23 of these accounts.

9. Payments to and on account of leavers

	2020-21	2021-22
	£m	£m
Refund of contributions to members leaving the Fund	0.588	0.668
Group transfers out to other pension funds	0.000	8.009
Individual transfers out to other pension funds	10.270	9.585
	10.858	**18.262**

Group transfers out in 2021-22 relates to the transfer of members of six East Midlands Education Trust (EMET) academies to the Nottinghamshire Pension Fund with effect from 1 September 2021.

10. Management expenses

Management expenses are analysed in accordance with CIPFA Guidance “Accounting for Local Government Pension Scheme Management Costs (2016)”.

	2020-21 £m	2021-22 £m
Investment management expenses	25.911	28.275
Administrative costs	2.982	2.774
Oversight and governance costs	1.467	1.364
	30.360	**32.413**

Oversight and governance costs decreased by £0.103m in 2021-22, to £1.364m (2020-21, £1.467m). Oversight and governance costs includes external audit fees of £0.027m (2020-21: £0.028m), which is comprised of £0.022m for the 2021-22 audit, £0.009m in respect of prior year additional fees, less a £0.004m audit fee rebate from Public Sector Audit Appointments. The statutory audit fee does not include fees chargeable to the Fund for pension assurance work, undertaken at the request of employer auditors, which the Fund recharges to the respective employers. Fees payable for this work in 2021-22 are £0.018m (2020-21: £0.017m).

Administration costs decreased by £0.208m in 2021-22, to £2.774m (2020-21, £2.982m), largely reflecting that some non-recurring one-off costs were incurred in 2020-21. Pension administration costs per member were £26.29 in 2021-22 (2020-21: £28.96), with the reduction relative to the prior year reflecting operational efficiencies, together with the non-recurring costs incurred in 2020-21.

Investment management expenses are analysed below:

	2020-21 £m	2021-22 £m
Fund value based management fees	25.040	26.125
In house management fees	0.450	0.452
Transaction costs	0.394	1.677
Custody fees	0.027	0.021
	25.911	**28.275**

Fund value-based management fees increased by £1.085m, to £26.125m in 2021-22 (2020-21, £25.040m). An increase in the average value of underlying investments during the year was more than offset by switches into lower cost products, driven by an increase in the proportion of investments managed on a passive basis and collaborative fee savings with other local government pension funds. Based on average investment assets across the year, management fees as a proportion of average investment assets were 0.44% (2020-21, 0.48%).

Transaction costs relate to the following asset classes:

	2020-21 £m	2021-22 £m
Equities	0.394	0.231
Pooled Investment Vehicles	0.000	1.446
	0.394	**1.677**

Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment financial asset or liability. An incremental cost is one that would not have been incurred if the scheme had not acquired or disposed of the financial instrument. Transaction costs include fees and commissions paid to agents, anti-dilution levies, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties.

The £1.283m increase in transaction costs to £1.677m (2020-21, £0.394m) principally reflects anti-dilution charges connected with asset transitions into pooled investment vehicles managed by LGPS Central Limited (£0.853m) and transaction costs in respect of infrastructure pooled investment vehicles (£0.592m). Commissions decreased by £0.223m in 2021-22, to £0.155m, largely reflecting lower allocations to the discretionary US equities mandate managed by Wellington Asset Management. Stamp duty increased by £0.060m in 2021-22, to £0.076m, principally reflecting increased investments into listed infrastructure equities.

Directly held investment properties are not financial assets and transaction costs in respect of them are capitalised into their initial cost, rather than expensed.

Direct transaction costs do not include debt premiums or discounts, financing costs or internal administration or handling costs.

Other costs are incurred indirectly by the Fund on sales and purchases of pooled investment vehicles through the difference between the highest price a buyer of a security or other asset is willing to pay and the lowest price a seller is willing to offer (bid-offer spread).

Such costs are not separately identifiable but are reflected in the cost of these investment purchases and in the proceeds from their sale (Note 13).

11. Investment income

	2020-21 £m	2021-22 £m
Income from equities	15.332	12.224
Income from bonds	9.270	9.566
Net rents from properties	10.315	10.854
Income from pooled investment vehicles	21.274	29.168
Interest on cash deposits	1.213	0.405
	57.404	**62.217**

Income from equities decreased by £3.108m in 2021-22, to £12.224m (2020-21, £15.332m), principally reflecting the ongoing transition from direct equity holdings into accumulation unit pooled investment vehicles, where dividend income is automatically reinvested and not distributed. Income from pooled investment vehicles increased by £7.894m in 2021-22, to £29.168m (2020-21, £21.274m), reflecting increased allocations to income generating asset classes such as infrastructure and private debt which are managed through pooled investment vehicles. Furthermore, investment managers generally held back distributions in 2020-21, in order to increase their liquidity to support underlying portfolio companies, if required, during the Covid-19 pandemic.

Rents from properties are net of £0.596m of property expense (2020-21, net of £0.720m of property expense), which has been reduced by a £0.032m credit loss allowance adjustment for property rent debtors at the year-end (2020-21, £0.037m increase). The income or expense each year is the net of property management expenses recovered by service charges to tenants and irrecoverable property management expenses, for instance, rates on vacant properties, adjusted for the movement in credit loss allowance.

12. Taxes on income

	2020-21	2021-22
	£m	£m
Taxation payable	**0.236**	**(0.018)**

From 6 April 2016 there are no notional tax charges for UK dividends. Taxes on income relate to withholding taxes in respect of overseas investment income, which are recoverable by the Fund. At 31 March 2021 there was an overall tax debit because of withholding tax which had yet to be reclaimed.

13. Investment assets and liabilities

	Value at 31 Mar 2021 £m	Purchases & hedging payments £m	Sales & hedging receipts £m	Profits & losses on disposal of investments & changes in value of investments £m	Value at 31 Mar 2022 £m
Investment assets					
Equities	577.325	230.566	(520.738)	83.573	370.726
Bonds	580.511	50.576	(10.995)	(0.594)	619.498
Pooled investment vehicles	3,930.149	1,168.619	(753.941)	277.281	4,622.108
Properties	252.200	11.967	(6.845)	34.878	292.200
	5,340.185	*1,461.728*	*(1,292.519)*	*395.138*	*5,904.532*
Cash deposits & short term loans	325.128			0.000	182.079
Other investment balances	5.635			0.000	5.401
	5,670.948			**395.138**	**6,092.012**
Investment liabilities					
Currency hedging contracts	(1.472)	1,062.309	(1,060.001)	(1.428)	(0.592)
Other investment balances	(2.676)			0.000	(2.388)
	(4.148)			**(1.428)**	**(2.980)**
	5,666.800			**393.710**	**6,089.032**

The total of profits and losses on disposal of investments and changes in value of investment assets and investment liabilities has increased the Fund's value by £393.710m during 2021-22 (2020-21, £1,001.675m increase). This total includes all increases and decreases in the market value of investments held at any time during the year and profits and losses realised on sales of investments during the year. In 2021-22, net gains on financial assets and financial liabilities measured at fair value are £358.832m (2020-21, £1,003.166m).

At 31 March 2022 the Fund's investments accounting for more than 5% of the total value of the Fund's net assets available for benefits were:

- LGIM UK Equity Index Fund £751.690m, representing 12.3% (2021, £789.198m, 13.8%).
- LGIM MSCI World Low Carbon Target Index Fund £686.933m, representing 11.2% (2021, £406.587m, 7.1%).
- RBC Global Equity Focus Fund £412.479m, representing 6.7% (2021, £377.662m, 6.6%).

- LGPS Central Global Active Corporate Bond Fund A (Acc) £378.001m, representing 6.2% (2021, £348.746m, 6.1%).
- LGPS Central All World Equity Climate Multi Factor Fund £312.322m, representing 5.1% (2021, nil).

The 2020-21 position was:

	Value at 31 Mar 2020	Purchases & hedging payments	Sales & hedging receipts	Profits & losses on disposal of investments & changes in value of investments	Value at 31 Mar 2021
	£m	£m	£m	£m	£m
Investment assets					
Equities	812.666	388.793	(930.339)	306.205	577.325
Bonds	576.183	42.271	(10.322)	(27.621)	580.511
Pooled investment vehicles	2,720.054	1,136.492	(639.661)	713.264	3,930.149
Properties	239.650	14.041	0.000	(1.491)	252.200
Currency hedging contracts	3.032	433.389	(449.211)	12.790	0.000
	4,351.585	*2,014.986*	*(2,029.533)*	*1,003.147*	*5,340.185*
Cash deposits & short term loans	275.110			0.000	325.128
Other investment balances	14.169			0.000	5.635
	4,640.864			**1,003.147**	**5,670.948**
Investment liabilities					
Currency hedging contracts	0.000	0.000	0.000	(1.472)	(1.472)
Other investment balances	(8.768)			0.000	(2.676)
	(8.768)			**(1.472)**	**(4.148)**
	4,632.096			**1,001.675**	**5,666.800**

Currency hedging receipts and payments represent the transactions settled during the year on currency hedging contracts relating to sovereign fixed income holdings and from 2021-22 onwards, the Fund's Infrastructure, Multi-Asset Credit and Indirect Property investment assets following a change to the Fund's Investment Strategy Statement to also currency hedge these assets. The Fund's objective is to decrease risk in the portfolio, by entering into forward contracts to match a proportion of assets that are already held in the portfolio without disturbing the underlying assets.

At the year end, there were two currency hedging contracts, with less than six months to expiry, with a gross contract value of £309.258m (2021, one contract, with less than six months to expiry, with a gross contract value of £105.732m).

Pooled investment vehicles are further analysed below:

	31 Mar 2021 £m	31 Mar 2022 £m
Pooled Investment Vehicles		
Equities	2,595.929	3,009.986
Bonds	739.785	844.350
Property	181.747	194.206
Private Equity	144.087	191.371
Infrastructure	268.601	382.195
	3,930.149	**4,622.108**

The proportion of the market value of net investment assets managed in-house (including the selection of pooled products) and by each external manager at the year-end is set out below.

	31 Mar 2021		31 Mar 2022	
	£m	%	£m	%
In-house	3,000.287	52.9	3,028.978	49.7
Colliers Capital Holdings Ltd	254.191	4.5	293.973	4.8
Legal and General Investment Management	1,476.772	26.1	1,762.703	29.0
LGPS Central Ltd	348.528	6.2	872.126	14.3
UBS Global Asset Management Life Ltd	233.943	4.1	30.500	0.5
Wellington Management International Ltd	353.079	6.2	100.752	1.7
	5,666.800	**100.0**	**6,089.032**	**100.0**

14. Fund investments by geographical sector (at market value)

	31 Mar 2021		31 Mar 2022	
	£m	%	£m	%
UK	2,542.692	44.9	2,619.506	43.0
North America	1,397.198	24.6	1,687.963	27.7
Europe	872.211	15.4	856.445	14.1
Asia and other	854.699	15.1	925.118	15.2
	5,666.800	**100.0**	**6,089.032**	**100.0**

Whilst UK investments increased in absolute terms between 31 March 2021 and 31 March 2022, they reduced as a percentage of total investment assets, as on-going changes to the asset allocation, together with weaker relative performance, reduced the Fund's relative exposure to UK investment assets. As the proportion of UK investment assets fell, allocations to North America in absolute terms, and as a percentage of total investments increased, driven by asset allocation changes and stronger relative performance. European investments fell in both absolute terms, and as a percentage of total investments, reflecting asset allocation changes and weaker relative performance. Whilst the absolute allocation to Asia and other increased, it remained relatively flat as a percentage of total investments.

15. Basis of valuation

The basis of valuation of each class of financial investment asset and liability is set out below. There has been no change in the valuation techniques used during the year. All investment assets and liabilities held at fair value through profit or loss have been valued using fair value techniques as follows:

- Market quoted investments, where there is a readily available market price, are valued at the bid market price on the final day of the accounting period.
- Quoted bonds are valued at net market value excluding accrued income.
- Pooled investment vehicles are included at closing bid price for funds with bid/offer spreads, or if single priced, at the closing price. For unquoted pooled investment vehicles this is at the price advised by the fund manager.
- Unquoted investments are valued at fair value, at the price or net asset value advised by the fund manager, or for private equity investments, based on the Fund's share of net assets at the year end, using the latest financial information available from the respective fund managers, adjusted for drawdowns and distributions to the final day of the accounting period, if the latest financial information is not produced to that date.
- Fair value for investment property is calculated using the investment method of valuation, the premise of which is that all current and future income streams are capitalised at a rate or rates compared against yields achieved in market investment transactions and adjusted for individual characteristics of the subject property, based on valuer's opinions, wholly derived from observable prices achieved in market transactions.
- Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract on that date.

Property, which is a non-financial asset, is included at market value on the final day of the accounting period, determined in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards. The property portfolio was independently valued by Savills, Property Advisers.

Financial investment assets and liabilities valued using fair value techniques have been classified into the three levels of what is known as a fair value hierarchy. The hierarchy is ordered according to the quality and reliability of information used to determine recurring fair values, with Level 1 being of the highest quality and reliability.

- Level 1 – Assets and liabilities assigned to Level 1 in the fair value hierarchy are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. The Fund's investments classified as Level 1 are quoted UK and Overseas Equities and quoted UK and Overseas Bonds issued by governments.
- Level 2 – Assets and liabilities assigned to Level 2 in the fair value hierarchy are those where quoted market prices are not available, for instance in a market that is not considered to be active, or where observable valuation techniques are used to determine fair value. The Fund's investments classified as Level 2 are quoted Pooled Investment Vehicles, Currency Hedging Contracts and unquoted LGPSC Bonds and Equities.
- Level 3 – Assets and liabilities assigned to Level 3 in the fair value hierarchy are those where at least one input which could have a significant effect on an instrument's valuation is not based on observable market data. The Fund's investments classified as Level 3 are unquoted Pooled Investment Vehicles and Properties (non-financial assets).

The Fund's fair value hierarchy of investment financial assets and financial liabilities held at fair value through profit or loss, additionally including investment financial assets held at amortised cost, to reconcile to total financial assets and financial liabilities, is as follows:

	Restated 31 Mar 2021*	31 Mar 2022
	£m	£m
Financial Assets at Fair Value through Profit or Loss		
Level 1		
UK quoted equities	207.232	267.504
Overseas quoted equities	368.778	101.906
UK quoted bonds	477.130	510.758
Overseas quoted bonds	102.696	108.056
	1,155.836	**988.224**

	Restated 31 Mar 2021*	31 Mar 2022
	£m	**£m**
Level 2		
Property - quoted pooled investment vehicles	26.892	32.769
Other quoted pooled investment vehicles	1,467.763	1,654.526
UK unquoted equities	1.315	1.315
UK unquoted bonds	0.685	0.685
	1,496.655	**1,689.295**
Level 3		
Property – unquoted pooled investment vehicles	154.854	161.437
Other unquoted pooled investment vehicles	2,280.640	2,773.376
UK freehold properties (non-financial instruments)	208.500	236.650
UK leasehold properties (non-financial instruments)	43.700	55.550
	2,687.694	**3,227.013**
Financial Assets at Amortised Cost		
Sterling cash deposits	20.139	20.449
Money market funds	60.000	120.000
Other Sterling short term loans	242.500	40.000
Foreign currency	2.489	1.630
Other investment balances	5.635	5.401
	330.763	**187.480**
Financial Assets	**5,670.948**	**6,092.012**
Financial Liabilities at Fair Value through Profit or Loss		
Level 2		
Currency hedging contracts	(1.472)	(0.592)
	(1.472)	**(0.592)**
Financial Liabilities at Amortised Cost		
Other investment balances	(2.676)	(2.388)
	(2.676)	(2.388)
Financial Liabilities	**(4.148)**	**(2.980)**
	5,666.800	**6,089.032**

*Reanalysed to correct the classification of a quoted Level 2 other quoted pooled investment vehicle originally included in Level 3 other unquoted pooled investment vehicles at 31 March 2021. This fund had a value of £348.746m at 31 March 2021.

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Additional information in respect of the fair value measurement is provided below.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation
UK quoted equities	Level 1	Bid market price	Not required	Not required
Overseas quoted equities	Level 1	Bid market price	Not required	Not required
UK quoted bonds	Level 1	Net market value excluding accrued income	Not required	Not required
Overseas quoted bonds	Level 1	Net market value excluding accrued income	Not required	Not required
Property quoted pooled investment vehicles	Level 2	Closing bid price where bid and offer prices are published	Not required	Not required
Other quoted pooled investment vehicles	Level 2	Closing bid price where bid and offer prices are published	Not required	Not required
UK unquoted equities	Level 2	Fair value based on price or net asset value advised by the fund manager	Not required	Not required
UK unquoted bonds	Level 2	Fair value based on price or net asset value advised by the fund manager	Not required	Not required
Currency hedging contracts	Level 2	Published exchange prices at the year-end date	Not required	Not required

Property unquoted pooled investment vehicles	Level 3	Investment method whereby all current and future income streams are capitalised at the rate or rates compared against yields achieved in market investment transactions and adjusted for individual characteristics of the subject property, based on valuer's opinion, wholly derived from observable prices achieved in market transactions	Net Asset Value (NAV) - based principal	Valuations could be affected by material events occurring between the date of the financial statements provided and the year-end date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Other unquoted pooled investment vehicles (private equity; infrastructure; private debt)	Level 3	At the price or net asset value advised by the manager using the latest financial information available from the respective manager, adjusted for drawdowns and distributions to the final date of the accounting period, if the latest financial information is not produced to that date	Private Equity & Infrastructure: EBITDA; Revenue & EBITDA multiple; Discount for lack of marketability; Control premium; Discounted cash flows Private Debt: Comparable valuation of similar assets; Revenue & EBITDA; Discounted cash flows; Asset security; Enterprise value estimation	Valuations could be impacted by material events occurring between the date of the financial statements provided and the year-end date, by changes to expected cash flows, and any differences between the audited and unaudited accounts
UK freehold and leasehold properties (non-financial instruments)	Level 3	Determined in accordance with the RICS Valuation Standards	Existing lease term rentals; Independent market research; Covenant strength for existing tenants; Actual and assumed vacancy levels; Estimated rental growth; Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes in market prices

Below is a reconciliation of the movement in fair value measurements within Level 3 of the fair value hierarchy from the start to the end of 2021-22:

	Restated Value at 31 Mar 2021*	Purchases	Sales	Unrealised gains/ (losses)	Realised gains/ (losses)	Value at 31 Mar 2022
	£m	£m	£m	£m	£m	£m
Financial Assets						
Level 3						
Pooled investment vehicles						
Property – unquoted	154.854	2.487	(18.688)	16.443	6.341	161.437
Other unquoted	2,280.640	566.858	(317.370)	212.815	30.433	2,773.376
Properties						
UK freehold (non-financial instruments)	208.500	0.855	(6.845)	35.947	(1.807)	236.650
UK leasehold (non-financial instruments)	43.700	11.112	0.000	0.738	0.000	55.550
	2,687.694	**581.312**	**(342.903)**	**265.943**	**34.967**	**3,227.013**

*Reanalysed to remove a quoted fund following correction of its classification from Level 3 other unquoted pooled investment vehicles to Level 2 other quoted pooled investment vehicles. This fund had a value of £348.746m at 31 March 2021.

Unrealised and realised gains and losses are recognised in the profit and losses on disposal of investments and changes in value of investments line of the fund account.

The restated 2020-21 position was:

	Restated Value at 31 Mar 2020*	Purchases *	Sales*	Unrealised gains/ (losses)*	Realised gains/ (losses)	Restated Value at 31 Mar 2021*
	£m	£m	£m	£m	£m	£m
Financial Assets						
Level 3						
Pooled investment vehicles						
Property – unquoted	149.857	7.812	(4.932)	1.862	0.255	154.854
Other unquoted	1,494.012	639.529	(197.434)	339.781	4.752	2,280.640
Properties						
UK freehold (non-financial instruments)	191.550	13.760	0.000	3.190	0.000	208.500
UK leasehold (non-financial instruments)	48.100	0.281	0.000	(4.681)	0.000	43.700
	1,883.519	**661.382**	**(202.366)**	**340.152**	**5.007**	**2,687.694**

*Reanalysed to remove a quoted fund following correction of its classification from Level 3 other unquoted pooled investment vehicles to Level 2 other quoted pooled investment vehicles. This fund had a value of £348.746m at 31 March 2021.

The impact of the Covid-19 pandemic and the Russian invasion of Ukraine on investment values is considered in Note 5. Having analysed historical data and current market levels, the Fund has determined that the Level 3 values at 31 March 2022 above are likely to be accurate to within the ranges set out in the sensitivity analysis below:

	Value at 31 Mar 2022 £m	Assessed valuation range %	Value on increase £m	Value on decrease £m
Level 3 sensitivity				
Direct property (non-financial instruments)	292.200	10.0	321.420	262.980
Diversified multi-asset credit funds	264.752	5.0	277.990	251.514
Equity index tracking funds	1,762.703	2.0	1,797.957	1,727.449
Short dated investment grade fund	19.635	3.0	20.224	19.046
Indirect property	161.437	15.0	185.653	137.221
Infrastructure	382.195	12.5	429.969	334.421
Private debt	152.720	10.0	167.992	137.448
Private equity	191.371	15.0	220.077	162.665
	3,227.013	**6.0**	**3,421.281**	**3,032.745**

The position at 31 March 2021 was:

	Restated Value at 31 Mar 2021* £m	Assessed valuation range %	Value on increase £m	Value on decrease £m
Level 3 sensitivity				
Direct property (non-financial instruments)	252.200	10.0	277.420	226.980
Diversified multi-asset credit funds	259.562	5.0	272.540	246.584
Equity index tracking funds	1,476.912	2.0	1,506.450	1,447.374
Indirect property	154.854	15.0	178.082	131.626
Infrastructure	268.601	12.5	302.176	235.026
Private debt	131.478	10.0	144.626	118.330
Private equity	144.087	15.0	165.700	122.474
	2,687.694	**5.8**	**2,846.994**	**2,528.394**

*Reanalysed to remove a quoted fund following correction of its classification from Level 3 other unquoted pooled investment vehicles to Level 2 other quoted pooled investment vehicles. This fund had a value of £348.746m at 31 March 2021.

16. Additional Voluntary Contributions

In accordance with Regulation 4(1)(b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Accounts do not include employees' Additional Voluntary Contributions ("AVCs").

Members may make AVCs which are invested separately from the Fund's assets. These investments are specifically allocated to the provision of additional benefits for those members. These are money purchase arrangements where the member uses the invested amount to provide an additional lump sum or to purchase an annuity or buy additional benefits in the Local Government Pension Scheme.

The total value of funds provided by AVC contributions at 31 March 2022 was:

	31 Mar 2021 £m	31 Mar 2022 £m
Utmost Life and Pensions		
With profits fund	0.064	0.064
Unit-linked funds	0.428	0.438
Total Utmost Life and Pensions	0.492	0.502

	31 Mar 2021	31 Mar 2022
	£m	£m
Standard Life		
Managed fund	0.740	0.735
Multi asset managed fund	0.130	0.113
Protection fund	0.057	0.060
Ethical fund	0.110	0.106
With profits fund	0.308	0.322
Total Standard Life	1.345	1.336
Prudential Assurance Company Ltd		
Deposit fund	2.182	1.983
With profits cash accumulation fund	4.586	5.057
Cash fund	0.362	0.539
Discretionary fund	0.871	0.742
Dynamic global equity passive fund	0.190	0.217
Dynamic growth funds	0.719	1.268
Fixed interest fund	0.157	0.184
Global equity fund	0.441	0.419
Index-linked fund	0.356	0.349
International equity fund	0.574	0.633
Long-term bond fund	0.020	0.027
Long-term gilt passive fund	0.229	0.237
Positive impact fund	0.177	0.219
Property fund	0.140	0.000
UK equity fund	0.244	0.278
UK equity passive fund	0.161	0.197
Total Prudential Assurance	*11.409*	*12.349*
Clerical Medical		
With profits fund	0.123	0.128
Unit linked fund	0.040	0.052
Total Clerical Medical	0.163	0.180
Total AVC Investments	***13.409***	***14.367***
Death in Service Cover		
Utmost Life and Pensions	**0.093**	**0.093**

Death in Service cover is payable by the AVC provider where an employee has opted to pay an extra life insurance sum. The Local Government Pension Scheme Regulations 2013 require the death grant payable for contributors into the LGPS to be three times their "final pay" (in the case of a part-time employee it is three times their actual pensionable pay). The Inland Revenue limit for death in service cover is four times "final pay", so the maximum extra amount insurable is, therefore, restricted to an amount equivalent to one times "final pay" and in the case of a part-time contributor, their actual pensionable pay. "Final pay" is defined in the above Regulations.

	Utmost Life £m	Prudential £m	Standard Life £m	Clerical Medical £m	Total £m
Value at 31 Mar 2021	**0.492**	**11.409**	**1.345**	**0.163**	**13.409**
Income					
Contributions received	0.000	2.006	0.021	0.002	2.029
Interest and bonuses and change in market value	0.033	0.978	0.071	0.015	1.097
Expenditure					
Retirement benefits	(0.023)	(0.171)	(0.101)	0.000	(0.295)
Full encashment	0.000	(1.753)	0.000	0.000	(1.753)
Asset transfer	0.000	(0.071)	0.000	0.000	(0.071)
Transfers out and withdrawals	0.000	(0.049)	0.000	0.000	(0.049)
Value at 31 Mar 2022	**0.502**	**12.349**	**1.336**	**0.180**	**14.367**

17. Current assets

	31 Mar 2021 £m	31 Mar 2022 £m
Employers' contributions due	8.289	8.787
Employees' contributions due	2.218	2.521
Sundry debtors	1.429	1.450
Cash balance	37.249	41.168
	49.185	**53.926**

Employers' and employees' contributions due at 31 March 2022 have been received since the year-end.

As at 31 March 2022, the Fund was owed rent totalling £0.556m in respect of 2021-22 (31 March 2021, the Fund was owed rent totalling £0.735m in respect of 2020-21). Whilst the Fund's discretionary direct property manager is actively managing the collection of this rent, the Covid-19 pandemic has had a significant impact on the trading and cash flows of some of the Fund's tenants, particularly those in the Retail and Leisure Sectors, albeit the impact eased slightly between 2020-21 and 2021-22, leading to a reduction in the level of rent owed. As a result, the Fund has provided a credit loss allowance of £0.195m against these rents (2020-21, £0.227m).

18. Current liabilities

	31 Mar 2021 £m	31 Mar 2022 £m
Unpaid benefits	1.556	1.925
Sundry creditors	3.343	4.495
Amounts owed to Derbyshire County Council	4.169	4.453
	9.068	**10.873**

19. Related party transactions

Derbyshire County Council
The Council is the administering authority for the purposes of the Fund under The Local Government Pension Scheme Regulations 2013.

Included in management expenses in 2021-22 are charges from the Council of £2.853m (2020-21, £2.888m) for expenses incurred in respect of oversight and governance of the Fund, for Fund administration and for management of the Fund's in-house investments.

At 31 March 2022 the Fund owed the Council £4.453m (31 March 2021, the Fund owed the Council £4.169m).

It has not been possible to apportion, on a reasonable basis, the costs and benefits of key management personnel between the Council and the Fund. However, Members' Allowances and Officers' Remuneration are disclosed in Notes 32 and 33 of the Council's Statement of Accounts.

LGPS Central Limited
LGPS Central Limited (LGPSC) has been established to manage investment assets on behalf of eight LGPS funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPSC Pool, of which the Council, as the administering authority for the Fund, is one of the shareholders.

The Fund, via Derbyshire County Council, invested £1.315m in share capital and £0.685m in a loan to LGPSC at 31 March 2022 (31 March 2021, £1.315m and £0.685m, respectively) and was owed interest of £0.032m on the loan to LGPSC on the same date (2020-21, £0.031m).

The Fund incurred costs of £0.087m associated with LGPSC Investment Management and Monitoring Costs in respect of an Active Emerging Markets Equities Multi Manager sub-fund, an index-tracking All World Equity Climate Multi Factor sub-fund, an Active Global Investment Grade Corporate Bond sub-fund and a Credit Partnership Limited Partnership sub-fund (Private Debt) in 2021-22 (2020-21, £0.013m), of which £0.023m was payable to LGPSC at 31 March 2022 (31 March 2021, £0.005m). The charge excludes fees paid to the underlying investment managers of £0.990m in 2021-22 (2020-21, £0.338m), with the increase between 2020-21 and 2022-22 reflecting an increase in the level of investment assets managed through LGPSC products.

The Fund incurred £0.947m in respect of Governance, Operator Running and Product Development costs in connection with LGPSC in 2021-22 (2020-21, £0.988m), of which £0.240m was payable to LGPSC at 31 March 2022 (31 March 2021, £0.226m).

LGPSC leases office space from the Council. The lease commenced on 14 June 2018 and is for a duration of five years, with a break clause at 30 June 2021. The rental income received and receivable by the Council from LGPSC in 2021-22 amounted to £0.015m (2020-21, £0.015m). For the duration of the lease term, subsequent years' rentals will be subject to an annual increase of 2.8%.

Members of the Pensions and Investments Committee
There is one non-voting Union Representative on the Fund's Pensions and Investments Committee who is an active member of the Fund. In addition, there is one full Member on the Committee who is a deferred member of the Fund.

20. Investment commitments

At the end of the financial year, investment commitments in respect of future payments were:

	31 Mar 2021 £m	31 Mar 2022 £m
Unquoted investments	395.556	321.277
Direct property	0.000	19.325
Other Sterling short-term loans	70.000	35.000
	465.556	**375.602**

Unquoted investments commitments are commitments to invest in Multi-Asset Credit, Private Equity, Infrastructure and Indirect Property investments, not yet drawn down by the managers. The Direct Property commitment relates to the purchase of a retail warehouse and hotel in Saffron Walden. The Fund exchanged a legally binding contract with the vendor on 7 March 2022, with completion and settlement due in June 2022, following the completion of snagging work by the vendor.

The Other Sterling short-term loans commitments are commitments to make short-term investments at the year-end. There is no provision or creditor for these amounts in the financial statements as the legal obligation to pay was not fulfilled at 31 March 2022. These commitments will be met using funds received from the maturity of earlier investments and therefore have no impact on the financial position reported.

There were five such commitments at 31 March 2022 (2021, eleven), which were secured to take advantage of higher rates available at that time.

21. Financial instruments

Many requirements of the financial instruments standards (IAS 39, IAS 32, IFRS 7 and IFRS 9), which govern the recognition, measurement, presentation, and disclosure of financial instruments, are not applicable to the Fund's accounts, since all material financial instruments are carried in the net assets statement at fair value.

Nature and extent of risks arising from financial instruments

Certain financial risks are a necessary and appropriate component of the investment strategy of the Fund in order for it to achieve the targeted long-term rate of return assumed by the Fund Actuary. This rate of return is used in drawing up the Funding Strategy Statement and setting employer contribution rates.

The overall financial risk for the Fund is that its assets could be insufficient to meet its liabilities to pay benefits. At the financial instrument level, the Fund's key risks are:

- **Credit risk** – the risk of the Fund suffering loss due to another party defaulting on its financial obligations.
- **Liquidity risk** – the risk that funds might not be available to meet commitments because the Fund's assets are not readily marketable or easily turned into cash.
- **Market risk** – the risk that the Fund's financial instruments may suffer an adverse change in value, which is common to an entire class of assets or liabilities.

Responsibility for Fund investments has been delegated to the Council's Pensions and Investments Committee (the Committee). Day to day responsibility for the management of the Fund is delegated to the Director of Finance and ICT; the investments are managed by a combination of internal and external investment managers and investment advice is provided by an independent investment advisor. The Fund's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks.

As required by the Fund's Investment Strategy Statement, the Fund is invested in accordance with the Strategic Asset Allocation guidelines, to maximise returns within appropriate levels of risk, taking into account the Fund's liabilities and projected cashflows.

These Strategic Asset Allocation guidelines were approved by the Pensions and Investments Committee.

Economic background, market returns, asset allocation, investment activity, investment strategy and investment performance are monitored and reviewed by the Committee on a quarterly basis.

Credit risk

The Fund is primarily exposed to credit risk through its daily treasury management activities and through its forward currency contracts, which address the currency risk on overseas bonds. Credit risk on cash deposits and short-term loans arises from deposits with banks, financial institutions and UK government and local authorities. Credit risk on forward currency contracts arises from contracts with large banks.

There is also a credit risk in respect of income due at the year end from the Fund's direct property tenants. As at 31 March 2022, the Fund was owed rent totalling £0.556m (31 March 2021, the Fund was owed rent totalling £0.735m). Whilst the Fund's discretionary direct property manager is actively managing the collection of this rent, the Covid-19 pandemic has had a significant impact on the trading and cash flows of some of the Fund's tenants, particularly those in the Retail and Leisure Sectors, albeit the impact eased slightly between 2020-21 and 2021-22, leading to a reduction in the level of rent owed. The Fund has provided a credit loss allowance of £0.195m (31 March 2021, £0.227m) against these rents in Note 17, Current Assets, calculated based on a tier risk rating system, using information provided by both the in-house investment management team and the discretionary direct property manager.

	Rental Income Debt 31 Mar 2022 £m	General Loss Allowance £m	Total Loss Allowance 31 Mar 2022 £m
Property Rental Income	**0.556**	**0.195**	**0.195**

A reconciliation of the opening and closing balances of the potential credit losses on the Fund's financial assets for the year ended 31 March 2022 is provided as follows:

	Value at 31 Mar 2021 £m	Change in average default risk rate £m	Value at 31 Mar 2022 £m
Credit Loss Allowance	**0.227**	**(0.032)**	**0.195**

Treasury activities – The Fund places security of capital and liquidity ahead of investment return. Credit risk on treasury activities is minimised through the Fund's annual Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Ratings Services and are approved counterparties on this basis. Investments with local authorities, the Government's Debt Management Office, UK Treasury Bills and Certificates of Deposit are also permissible. The Fund has agreed maximum loan durations and joint limits for each counterparty.

The limits for financial institutions are based on the above credit assessment and are approved each year. The financial institutions' credit ratings and supplementary information are monitored throughout the year to ensure compliance with the policy.

The Fund's Treasury Management Strategy for 2021-22 was approved by the Pensions and Investments Committee on 3 March 2021.

The Fund's maximum exposure to credit risk in relation to its treasury/cash deposit investments and operating cash in banks, building societies, money market funds and UK local authorities of £223.247m (2021, £362.377m) cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare, generally, for such entities to be unable to meet their commitments; the approach to risk assessment taken by the Fund makes this remote.

A risk of non-recovery applies to all of the Fund's deposits, but there was no evidence at 31 March 2022 that this was likely to occur. No breaches of the Fund's counterparty criteria occurred during the reporting period. At 31 March 2022, the Fund had £41.168m in its operational account with Lloyds Bank.

Forward currency contracts – Credit risk from forward currency contracts is minimised by limiting the extent of these contracts to managing the currency risk on sovereign fixed income holdings, and from 2021-22 onwards, the Fund's Infrastructure, Multi-Asset Credit and Indirect Property investment assets, following a change to the Fund's Investment Strategy Statement to also currency hedge these assets, the value of which comprise 5.1% (2021, 1.9%) of investment assets at the year end, and by selecting large banks as the counterparties. The two forward currency contracts at the year-end are with Bank of New York Mellon.

The maximum credit risk exposure on forward currency contracts is the full amount of the foreign currency which the Fund pays when settlement occurs, should the counterparty fail to pay the amount which it has committed to pay the Fund. At the year end, there were two currency hedging contracts, with less than six months to expiry, with a gross contract value of £309.258m (2021, one contract, with less than six months to expiry, with a gross contract value of £105.732m). The Fund does not expect any losses from non-performance by any of its counterparties in relation to these contracts. The investment liability in Note 13 associated with these forward currency contracts, which is the difference between the Sterling value the Fund has contracted to receive on expiry of the contracts and is what would theoretically have been receivable based on the exchange rate at the year end, is £0.592m.

Other financial assets – Bonds mainly include investments in UK and US Government securities and certain corporate bond funds. The Fund does not expect any losses from non-performance by any of its counterparties in relation to these financial assets.

Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of the financial assets as they are marked to market. The market value of financial assets represents the Fund's exposure to credit risk in relation to those assets.

The selection of high-quality counterparties, brokers and financial institutions minimises credit risk that may occur during settlement of transactions.

Liquidity risk

The Fund continues to be cash flow positive, with combined contributions and investment income exceeding benefit payments. There is, therefore, no present requirement to realise assets in order to meet liabilities to pay benefits, as these are more than covered by contributions and investment income, and there is net cash available for investment. The Fund does, however, sell investments from time to time as part of normal investment management activities.

The majority of the Fund's investments are readily marketable and may be easily realised, if required. Emphasis is placed on treasury deposits of up to six months' duration to ensure that longer term investment strategy is not compromised by lack of liquidity. Listed equities may also be liquidated at short notice, normally two working days. Holdings of investments which may be less easy to realise are limited. Current Pensions and Investments Committee guidelines limit investments in Property to 12%, Multi Asset Credit to 8%, Infrastructure to 13% and Private Equity to 6%.

Sufficient funds are retained on instant access accounts to ensure that payment of benefits and the settlement of investment transactions can be made without the need to borrow.

The Fund manages its liquidity position using a comprehensive cash flow management system, as required by the CIPFA Code of Practice.

Maturity analysis for liabilities at the year-end:

- There were no financial liabilities within the portfolio at the year-end other than those that arose from the trading of investments. Such liabilities fall due within 12 months of the year end.
- There were two derivative financial liabilities held at the year-end in respect of the currency hedging contracts referred to above (2021, one).

Market risk

The Fund is exposed to market risk because it is inherent in the investments the Fund makes. It can result from changes in such measures as interest and exchange rates and changes in prices due to factors other than these. This risk cannot be eliminated but it can be reduced.

The objective of market risk management is to manage and control market risk exposure to within acceptable parameters, whilst optimising the return on risk. Excessive volatility in market risk is managed through diversification. Risk reduction arises from the different investments not being perfectly correlated.

The Fund has applied diversification at various levels; that is, diversification between countries, asset classes, sectors and individual securities. Diversification reduces both the upside and downside potential and allows for more consistent performance under a wide range of economic conditions.

Risk of exposure to specific markets is limited by adhering to defined ranges within the asset allocation guidelines, which are monitored and reviewed by the Committee on a quarterly basis.

Interest rate risk – This risk primarily impacts on the valuation of the Fund's bond holdings, in particular the Fund's sovereign bond, non-Government investment grade bonds and diversified multi-asset credit portfolios. Interest rate sensitivity can be estimated by multiplying an assumed change in the prevailing market interest rate by the portfolio benchmark duration. The table below shows the estimated impact of a ±100 basis points (±100 bps) in the prevailing market interest rate for these assets.

	Value at 31 Mar 2022 £m	**Benchmark duration Years**	**Change in prevailing market interest rate**	**Effect -100bps £m**	**Effect +100bps £m**
Asset type					
Conventional gilts	271.433	11.1	±100bps	30.156	(30.156)
Index-linked bonds	347.380	20.4	±100bps	70.866	(70.866)
Non-Government investment grade bonds	378.001	7.5	±100bps	28.350	(28.350)
Short dated investment grade bonds	48.877	3.0	±100bps	1.466	(1.466)
Diversified multi-asset credit funds	264.752	1.0	±100bps	2.648	(2.648)
Total change in asset values	**1,310.443**			**133.486**	**(133.486)**

The position at 31 March 2021 was:

	Value at 31 Mar 2021 £m	**Benchmark duration Years**	**Change in prevailing market interest rate**	**Effect -100bps £m**	**Effect +100bps £m**
Asset type					
Conventional gilts	270.223	12.2	±100bps	32.967	(32.967)
Index-linked bonds	309.603	21.9	±100bps	67.803	(67.803)
Non-Government investment grade bonds	348.746	7.9	±100bps	27.551	(27.551)
Diversified multi-asset credit funds	259.561	1.0	±100bps	2.596	(2.596)
Total change in asset values	**1,188.133**			**130.917**	**(130.917)**

A 100 basis points increase in the prevailing market interest rate would reduce the aggregate value of the identified assets by an estimated £133.486m (2021, £130.917m), whereas a 100 basis points reduction in the prevailing market interest rate would increase the aggregate value of the identified assets by a comparable amount. It should also be noted that both non-Government investment grade bonds and diversified multi-asset credit funds are also sensitive to changes in the interest rate spread, which is the interest rate received relative to sovereign bonds, which can either increase (reducing asset values) or reduce (increasing asset values).

The duration in respect of the Fund's private debt assets, together with cash, is not significant.

The Fund has a number of strategies for managing interest rate risk. Interest rates and the durations of the bond portfolios are monitored during the year, by the Fund's in-house and external managers. Within the annual Treasury Management Strategy, maximum limits are set for fixed and variable interest rate exposure. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns, subject to liquidity requirements.

Other price risk – Other price risk originates from factors specific to the individual instrument or to its issuer, or from factors affecting all instruments in the market.

The Fund manages price risk by holding fixed interest bonds, index-linked stocks and property and by holding a diversified equity portfolio spread geographically, across market sectors and across investments. Contracts specify the level of risk to be taken by the external Fund managers investing in overseas equities. These external managers are monitored by in-house managers.

A Fund specific benchmark has been drawn up, which is designed to meet the Fund's performance requirements for the level of risk agreed by the Committee. Economic background, asset allocation, recent transactions, investment strategy and performance are monitored by the Committee on a quarterly basis.

The impact of the Covid-19 pandemic and the Russian invasion of Ukraine on investment values is considered in Note 5.

The table below quantifies the level of price risk that the Fund's investment assets and liabilities at 31 March 2022 are potentially exposed to. Potential price changes are determined based on the observed historical volatility of asset class returns, for example, 'riskier' assets such as equities display greater potential volatility than bonds. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years. The volatility shown for total investment assets and liabilities in both tables below incorporates the impact of correlation across asset classes, which dampens volatility, therefore the value on increase/decrease figures of the asset classes will not sum to the total assets figure.

	Value at 31 Mar 2022 £m	Change %	Value on increase £m	Value on decrease £m
Underlying asset type				
UK Government bonds	229.664	5.91	243.237	216.091
UK index-linked bonds	281.094	9.67	308.276	253.912
Corporate bonds	427.563	7.00	457.492	397.634
Overseas index-linked bonds	66.287	7.40	71.192	61.382
Overseas bonds	41.177	4.02	42.832	39.522
UK equities	890.573	16.02	1,033.243	747.903
Overseas equities	2,248.506	13.60	2,554.303	1,942.709
Private equity	305.449	9.30	333.856	277.042
Infrastructure	509.749	4.19	531.107	488.391
Multi asset credit	417.472	6.01	442.562	392.382
Cash	182.079	0.13	182.316	181.842
Other investment balances	3.013	0.00	3.013	3.013
Properties (non-financial instruments)	486.406	3.71	504.452	468.360
Total investment assets and liabilities	**6,089.032**	**8.15**	**6,585.288**	**5,592.776**

The position at 31 March 2021 was:

	Value at 31 Mar 2021 £m	Change %	Value on increase £m	Value on decrease £m
Underlying asset type				
UK Government bonds	228.085	5.01	239.512	216.658
UK index-linked bonds	249.045	8.37	269.890	228.200
Corporate bonds	349.431	7.57	375.883	322.979
Overseas index-linked bonds	60.558	7.23	64.936	56.180
Overseas bonds	40.666	4.62	42.545	38.787
UK equities	903.509	16.83	1,055.570	751.448
Overseas equities	2,101.338	13.86	2,392.583	1,810.093
Private equity	229.820	8.46	249.263	210.377
Infrastructure	351.277	4.35	366.558	335.996
Multi asset credit	391.038	6.04	414.657	367.419
Cash	325.128	0.13	325.551	324.705
Other investment balances	2.959	0.00	2.959	2.959
Properties (non-financial instruments)	433.946	2.26	443.753	424.139
Total investment assets and liabilities	**5,666.800**	**8.40**	**6,142.811**	**5,190.789**

Currency risk – The Fund is exposed to currency risk through its unhedged overseas currency denominated investment assets. Except for overseas sovereign bonds, infrastructure, multi-asset credit and indirect property investments, the Fund's exposure to overseas currency risk is not hedged. If Sterling weakens, this currency exposure will make a positive contribution to the Fund's performance in Sterling terms.

The table below quantifies the level of currency risk that the Fund's overseas currency denominated investment assets at 31 March 2022 are potentially exposed to. For the categories of assets where there are investments denominated in overseas currencies, the potential aggregate currency exposure within the Fund at 31 March 2022 is determined using a currency "basket" based on that asset category's currency mix at that date. The weight of each currency multiplied by the change in its exchange rate relative to Sterling is summed to create the aggregate currency change of the basket. As currency risk on the hedged assets is managed using forward currency contracts, the currency risk on these assets is nil, and this is shown as 0.0% below. The outcomes are then applied to all overseas currency denominated assets.

	Value at 31 Mar 2022 £m	Change %	Value on increase £m	Value on decrease £m
Underlying asset type				
Overseas index-linked bonds	66.287	0.00	66.287	66.287
Overseas bonds	41.177	0.00	41.177	41.177
Overseas equities	2,248.506	7.12	2,408.600	2,088.412
Overseas private equities	119.670	6.99	128.035	111.305
Overseas infrastructure	240.318	0.00	240.318	240.318
Overseas multi asset credit	77.800	0.00	77.800	77.800
Overseas cash	1.630	8.30	1.765	1.495
Overseas properties (funds)	52.630	0.00	52.630	52.630
Overseas investment assets	**2,848.018**	**5.80**	**3,013.203**	**2,682.833**

The position at 31 March 2021 was:

	Value at 31 Mar 2021 £m	Change %	Value on increase £m	Value on decrease £m
Underlying asset type				
Overseas index-linked bonds	60.558	0.00	60.558	60.558
Overseas bonds	40.666	0.00	40.666	40.666
Overseas equities	2,101.338	7.26	2,253.895	1,948.781
Overseas private equities	93.520	6.83	99.903	87.137
Overseas infrastructure	163.850	6.77	174.949	152.751
Overseas multi asset credit	46.086	5.30	48.529	43.643
Overseas cash	2.489	8.60	2.703	2.275
Overseas properties (funds)	49.260	5.30	51.871	46.649
Overseas investment assets	**2,557.767**	**6.97**	**2,736.043**	**2,379.491**

22. Actuarial Present Value of Promised Retirement Benefits

Below is an extract from the Report of the Actuary, showing the actuarial present value of the Fund’s promised retirement benefits, required by the Code.

"If an actuarial valuation has not been prepared at the date of the financial statements, IAS 26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation is carried out using assumptions in line with IAS 19 and not the Fund's funding assumptions.

Present Value of Promised Retirement Benefits

	31 Mar 2021	**31 Mar 2022**
	£m	**£m**
Active members	*4,284.000*	*3,668.000*
Deferred members	*1,625.000*	*1,648.000*
Pensioners	*2,436.000*	*2,927.000*
Present Value of Promised Retirement Benefits	***8,345.000***	***8,243.000***

The promised retirement benefits at 31 March 2022 are based on the results of the 31 March 2022 funding valuation using the Fund's membership as at 31 March 2022.

The above figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for the preparation of the Pension Fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS 19 report and are different as at 31 March 2022 and 31 March 2021. I estimate that the impact of the change in financial assumptions to 31 March 2022 is to decrease the actuarial present value by £601m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £87m.

Financial assumptions

Year ended (% p.a.)	***31 Mar 2021 %***	***31 Mar 2022 %***
Pension Increase Rate (CPI)	*2.85*	*3.20*
Salary Increase Rate	*3.55*	*4.20*
Discount Rate	*2.00*	*2.70*

Demographic assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	***Females***
Current Pensioners	*21.3 years*	*24.3 years*
*Future Pensioners**	*22.2 years*	*25.8 years*

**Future pensioners are assumed to be aged 45 at the latest funding valuation of the Fund.*

Please note that the longevity and other demographic assumptions are in line with 31 March 2022 funding valuation. The assumptions have changed since the previous IAS26 disclosure for the Fund as at 31 March 2021.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the obligations are set out below:

Change in assumption at 31 March 2022	***Approximate increase to promised retirement benefits %***	***Approximate monetary amount £m***
0.1% p.a. decrease in the Discount Rate	2	160
1 year increase in member life expectancy	4	330
0.1% p.a. increase in the Salary Increase Rate	0	21
0.1% p.a. increase in the Pension Increase Rate (CPI)	2	138

Barry Dodds FFA
15 June 2023
For and on behalf of Hymans Robertson LLP

The actuarial present value of promised retirement benefits in the Report from the Actuary above is £8,243.000m at 31 March 2022, compared to the net assets available for benefits at that date of £6,132.085m. The actuarial valuation at 31 March 2022 has set contribution rates from 1 April 2023.

23. Participating Employers

The participating employers with active members in the Fund are Derbyshire County Council (which is also the Administering Authority), Derby City Council (Unitary Authority), District Councils (which are Scheduled Bodies) and further Scheduled Bodies and Admission Bodies.

Contributions and benefits, by participating employer type, in respect of the year, are as follows:

	2020-21		2021-22	
	Benefits	Contributions	Benefits	Contributions
	£m	£m	£m	£m
Derbyshire County Council	80.384	71.166	85.909	75.052
Scheduled Bodies	86.765	113.813	92.468	112.417
Admission Bodies	6.309	5.827	7.201	6.067
	173.458	**190.806**	**185.578**	**193.536**

AUDITOR'S OPINION – PENSION FUND ACCOUNTS

Audit Opinion to be inserted

Audit Opinion to be inserted

AUDITOR'S OPINION – PENSION FUND ACCOUNTS

Audit Opinion to be inserted

AUDITOR'S OPINION – PENSION FUND ACCOUNTS

Audit Opinion to be inserted

AA rated corporate bonds

Financial indicator of very good quality, low risk debt securities. These are assigned by credit rating agencies such as Moody's, Standard & Poor's and Fitch Ratings to have letter designations (such as AAA, B, CC).

Account

A group of expenditure items or balances with similar qualities will be summated into an 'account' balance such as an individual reserve account, or revenue expenditure account.

Accounting Policies

The Councils document outlining how it will account for all of its operations.

Accounting Principles

Commonly accepted set of concepts or assumptions that have to be followed when producing financial statements.

Accounting Standard

Statutory guidelines which explain how to treat financial activities in the financial statements. See International Financial Reporting Standards (IFRS).

Accrual

The accruals concept requires that the cost or benefit of a transaction is shown in the period to which the goods or services are received or provided, rather than when the cash is paid or received.

Accruals Concept

Requires operations of the Council to be reported in the financial statements at the point which they took place, rather than when the cash was paid or received.

Accumulating Absences

Types of leave which employees are entitled to each year; which if untaken in one financial year will be added to the entitlement for the following year.

Acquired / Acquisition

Operations or assets which have become the responsibility of the Council, such as through purchase, a Government reorganisation, donation or merger.

Actuarial

The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.

Actuaries

An actuary is a professional who deals with the financial impact of risk and uncertainty. Actuaries provide assessments of financial systems and balances.

Amortisation

The term used to describe the charge made for the cost of using intangible non-current assets. The charge for the year will represent the amount of economic benefits consumed for example wear and tear.

Amortised Cost – Financial Instruments

The valuation of a financial asset or liability based on repayments of principal, interest accrued at a constant rate and the difference between the initial amount recognised and the maturity amount. For financial assets this is adjusted by any loss allowance.

Amortised Cost – Other Non-Current Assets
The cost of intangible assets reduced by the amount of amortisation charged to date.

Annual Leave
Yearly entitlement of paid time off for Council staff.

Asset Register
Listing of all property (for example land, buildings, furniture, infrastructure, software) owned by the Council. The register holds all financial information relating to the asset.

Assets
Right or other access to future economic benefits.

Assets Held For Sale
Non-Current Assets which meet the relevant criteria to be classified as held for sale.

Assets Under Construction
Assets which are in the process of being constructed and are not yet operational.

Associates
An entity (including partnerships) which is not a subsidiary or joint venture, where the Council has significant influence.

Authorised For Issue
The date which the financial statements have been certified by External Audit and signed the relevant Officers and Members of the Council.

Balance Sheet
Shows all balances including reserves, long-term debt, fixed and net current assets, together with summarised information on the non-current assets held.

Balance Sheet Date
The date at which the Council reports its financial statements. For Derbyshire County Council, this date is the 31 March.

Bias
Influence or direction.

Billing Authorities
Councils who are responsible for issuing Council Tax Invoices and collection of income from local residents. The relevant share of that income is then transferred to the Council.

Borrowing Requirement
The amount required to be loaned from Money Markets or other financial institutions or Councils in order to support capital expenditure.

Business Rates
Local property taxation issued to businesses, similar to Council Tax on residential properties. Also known as National Non Domestic Rates (NNDR).

Cabinet
Sub-committee of elected Councillors representing the functions and portfolios of the Council.

Capital
Assets which have a long term value (more than one year) to the Council such as Buildings.
Capital Adjustment Account
Capital reserve largely comprising of resource applied to capital financing and is not available to the Council to support new investment.
Capital Appreciation
Increase in the worth of assets over time due to changes in market conditions or enhancements to the asset.
Capital Costs
Reflects the element of annual payment for PFI or Leased assets which is in relation to the reduction in the long term debt associated with the asset.
Capital Expenditure
Expenditure on the acquisition of, or enhancement to non-current assets. This cannot be merely to maintain the value of an existing asset.
Capital Financing Requirement
The Capital Financing Requirement measures the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. It is a measure of the underlying need to borrow for a capital purpose.
Capital Grant
Grant which is intended to fund capital expenditure.
Capital Grants Unapplied Reserve
Balance of capital grants received which is available to finance future capital expenditure.
Capital Receipts
Income received from the sale or utilisation of property, such as sale proceeds or rental income on finance leases.
Capital Reserves
Reserve balances held for capital purposes.
Carrying Value
The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.
Cash Flow Statement
This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
Cash Flows
Monies received or paid either as cash or bank transactions. Cash inflow denotes money received, cash outflow denotes money paid.
Chartered Institute of Public Finance And Accountancy (CIPFA)
The main authority on accountancy and financial management for the public services in the UK.
CIPFA Code
A publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) that provides comprehensive guidance on the content of a Council's Statement of Accounts

Collection Fund
The fund maintained by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).
Collection Fund Adjustment Account
Revenue reserve to represent the difference between the income received by a local authority in Council Tax and the amount attributable to them.
Collection Fund Statements
The statutory financial statements produced as part of the Statement of Accounts by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).
Community Assets
Assets which are held for the benefit of the community where there is no determinable useful life.
Comparative Year
The previous year to that which is being reported.
Component Accounting
The concept that individual parts of an asset (such as land, building, roof, sheds) should be treated differently in the financial statements dependent on the expected useful life or value of those individual parts. The concept expects that some parts of an asset require repair or replacement sooner than others.
Comprehensive Income And Expenditure Statement
Financial Statement detailing the revenue operations of the Council. This represents the private sector equivalent of a Profit and Loss Statement.
Condition
A requirement which must be met for an asset or liability to be recognised by the Council. For example, a donation which can only be spent within a specific service area such as museums or to support children.
Contingent Assets And Liabilities
A possible asset or obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.
Contract Asset
The Council’s right to receive consideration in exchange for goods or services that it has transferred to a service recipient where that right is conditional on something other than the passage of time (such as the Council’s future performance).
Contract Liability
The Council’s obligation to deliver goods or services to a service recipient for which it has already received consideration.
Contributions
Income received by the council which is not a grant, donation, fine, or in direct exchange for goods or services.
Core Service Areas
The services provided by the Council externally, such as education, highway maintenance and adult social care.

Corporate And Democratic Core

Costs associated with maintaining a democratic representation and management within the Council. For example Members Allowances and administrative costs associated with supporting elected Members.

Council

The Council comprises all of the democratically elected Councillors who represent the various electoral divisions.

Council Tax

Council Tax is a local taxation that is levied on dwellings within the local Council area, and funds all Council services.

Credit

A credit represents income to a revenue account.

Credit Loss

The difference between contractual amounts due to the Council and the amounts it expects to receive.

Creditor

Represents the amount that the Council owes other parties.

Current Service Cost

The current service cost is the increase in the value of the pension schemes future pension liabilities arising from the employees on-going membership of the pension scheme.

Current Value

IFRS13 introduces the concept of current value and defines it as the measurements that reflect the economic environment prevailing for a service or function the asset is supporting at the reporting date. Current value can be fair value, existing use value, existing use value – Social Housing and depreciable replacement cost.

Current Year Entry

A transaction which has occurred in the financial year being reported.

Curtailments

Materially reducing the expected years of future services of current employees or eliminating for a significant number of employees the accrual of defined benefits for some or all of their future services.

Debit

A debit represents expenditure against a revenue account.

Debt Outstanding

The remaining principal balance owed on a loans or investments.

Debtors

Represents the amounts owed to the Council.

Equity Instrument

A contract which evidences a residual interest in the assets of another entity after deducting all of its liabilities. Examples include shares and derivatives that give the Council the right to receive a fixed number of shares for a fixed amount of cash (or another financial asset) in an exchange which is expected to be favourable to the Council.

Defined Benefit Scheme

Also known as a Final Salary Scheme. Pension scheme arrangement where the benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory members' contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employer.

Defined Contribution Scheme

Also known as a Money Purchase Scheme. Pension scheme arrangement where the employer's liability is restricted to the amount that they contribute. Benefits payable to the members depend on the performance of the invested contributions of the members and the employer, the level of contributions invested, the charges deducted by the product provider and the annuity rate at retirement.

De-Minimis

Minimum level required. For example expenditure below the capital de-minimis is below the minimum level required to be treated as a capital expenditure item.

Department For Education

Central Government Department, responsible for education and children's services in England.

Depreciable Replacement Cost (DRC)

DRC is a method of valuation that provides the current cost of replacing an asset with its Modern Equivalent Asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

Depreciation

The term used to describe the charge made for the cost of using tangible non-current assets. The charge for the year will represent the amount of economic benefits consumed by, for example, wear and tear.

Derecognition

The process whereby a component is replaced to avoid double counting when no future economic benefits or service potential are expected from its use or upon disposal.

Discount

An allowance received through the early repayment of debt.

Discounted

Reflecting the equivalent value today of a payment or income made or due in the past or future.

Discounted Cash Flow

A method of analysing future cash flows, by removing the impact time has on the value of money, and producing an equivalent current value (present value).

Discretionary Benefits

Benefits given to employees which are not statutorily obliged.

Disposal

Operations or assets which have left the responsibility of the Council, such as through sale, a Government reorganisation, donation or merger

Donated Assets

Assets which have been acquired at below market cost.

Dowry
One off payment made as donation, contribution or pre-payment of an obligation.
Earmarked Reserves
Reserve balances which have been set aside for future spending in a specific area.
Economic Life
The number of years the Council is expected to receive economic benefits to deliver services.
Effective Rate
The interest rate embedded within a contract or lease, allowing for regular annual payments and the time value of money.
Employee
A person who holds an office within the Council, but does not include a person who is an elected Councillor.
Employee Benefits
Monetary or other awards to employees of the Council in exchange for services provided. For example, pay, holidays, and pensions.
Employee Costs
The costs directly associated with employees, including but not exhaustively salaries and wages, National Insurance contributions and pension's costs.
Employer Contributions
The payments made to an employee's pension scheme by the Council.
Enhancement Expenditure
Expenditure which increases the value of an asset.
Entity
Something with a legal status such as the Council, a company, or an individual.
Events After The Balance Sheet Date
An event which occurs between 31 March and the date that the accounts are signed which would alter the conclusion reached by any reader of the accounts.
Exceptional Items
Material items that result from the ordinary activities of the Council, but to a value so significantly abnormal that is not expected to recur at that level.
Existing Use Value (EUV)
The value of an asset based on what it is currently being used for. For example, two identical buildings in construction and design may have different values where one is used as a school and another is used as offices.
Exit Packages
The payment made to an employee upon leaving the Council.
Expenditure
Payments made of goods or services.
Fair Value
The income that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value Through Other Comprehensive Income (FVOCI)

Measurement of a financial asset at fair value where any gain or loss on revaluation is recognised in other comprehensive income and expenditure and taken to the Financial Instrument Revaluation Reserve.

Fair Value Through Profit or Loss

Measurement of a financial asset at fair value where any gain or loss on revaluation is recognised as a credit or charge to Surplus or Deficit on Provision of Services within the CIES.

Finance Income

Interest receipts.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Assets

A type of financial instrument which gives the Council the right to receive future economic benefits.

Financial Instruments

An umbrella term to describe all financial services and trading with which the Council may operate, including loans, borrowings, bank accounts and debtors.

Financial Instruments Adjustment Account

Revenue reserve which records the timing differences between the rate at which gains and losses are recognised and the rate at which debits and credits are required to be made against Council tax.

Financial Instruments Revaluation Reserve

This reserve contains the cumulative gains and losses relating to the valuation of financial assets held at fair value through other comprehensive income. When the underlying financial assets are de-recognised any gains or losses held in this reserve are credited or expensed to the Surplus or Deficit on Provision of Services.

Financial Liabilities

A type of financial instrument that confers an obligation on the Council to transfer economic benefits under its control.

Financial Statements

Published document, consisting of the Balance Sheet, Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Cash Flow Statement and Notes to the Accounts.

Financial Year

The current year being reported upon running from 1 April to 31 March.

Five Year Financial Plan (FYFP)

The Councils Medium Term Financial Plan, setting out the financial projection for the Council over the coming 5 years.

Flexi-Time

Time owed to employees who have worked above the contracted hours.

Gain

Where income exceeds expenditure.

General Provisions

Money set aside in the Balance Sheet where its future use is not known.

General Reserve
The reserve held by the County Council for general purposes, i.e. against which there are no specific commitments.

General Revenue Government Grants
Grant income received from Central Government (or Government Department) which is not restricted in its use.

Going Concern
The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.

Goods Or Services
Supplies required by the Council to perform its operations. Examples of goods; paper, bricks or light bulbs, and services; electricity, petrol or agency staff.

Grants
Payment towards the cost of local authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (formula grant).

Group Accounts
Where a Council has a controlling interest in another organisation, group accounts have to be produced. These accounts report the financial position of all of the group entities.

Hire Purchase
A contract for the provision of an asset which becomes the property of the lessee at the end of the contract period.

Historic Cost
The cash paid in obtaining an asset in its current form. Inclusive of purchase price and enhancement expenditure.

HM Revenue & Customs
Her Majesty’s Revenue and Customs is a non-ministerial department of the UK Government responsible for the collection of taxes, the payment of some forms of state support, and the administration of other regulatory regimes including the national minimum wage.

HM Treasury
Her Majesty’s Treasury, sometimes referred to as the Exchequer, or more informally the Treasury, is the United Kingdom government department responsible for developing and executing the British government’s public finance policy and economic policy.

IFRIC
International Financial Reporting Interpretation Committee.

Immateriality
Immateriality is an expression of the relative insignificance or unimportance of a particular matter in the context of the financial statements as a whole.

Impairment
Impairment is the amount by which the carrying amount of an asset exceeds its recoverable amount.

Inception

The point in time which something began such as a project, contract or lease.

Income

Cash flows into the Council.

Income From Service Recipients

Consideration a party, that has contracted with the Council, has given in exchange for goods or services that are the output of the Council's normal operating activites. Such a contract may be in writing, orally or in accordance with customary business practices.

Income In Advance

Income received before the point at which an obligation to receive it has occurred.

Infrastructure

A network and grouping of inalienable components, expenditure on which is only recoverable by continued use of the asset created i.e. there is no prospect of sale or alternative use. The inalienable components include carriageways, footways, cycle tracks, structures, street furniture, street lighting, traffic management systems and land.

Intangible Asset

Non-current assets which do not have physical form such as software.

Interest Accrued

Accrued interest is the interest on a bond or loan that has accumulated since the principal investment or since the previous coupon payment if there has been one already.

Interest Payable

The amount of interest due for payment within a financial year.

Interest Rate

The rate at which interest is calculated on a loan or investment.

Interest Receivable

The amount of interest due for receipt within a financial year.

International Accounting Standards (IAS)

Regulations outlining the method of accounting for activities, IAS's are currently being replaced with International Financial Reporting Standards (IFRS's) issued by the International Accounting Standards Board.

International Financial Reporting Standards (IFRS)

Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.

International Public Sector Accounting Standards (IPSAS)

Public Sector regulations outlining the method of accounting for activities.

Inventories

Goods purchased in advance of their use which are held in store.

Investment Property

Assets held solely for the purposes of rental generation or for increasing the value pre-sale (capital appreciation) or both.

Joint Venture
An organisation which the Council has partial control and ownership, but decisions require the consent of all participants.
Lease
Financial contract for the continuing use of an asset.
Lease Interest
The interest rate inherent within a lease allowing for regular rental payments and an adjustment for the time value of money.
Lease Payments
Regular payment made in exchange for the use of an asset.
Leases
A method of funding expenditure by payment over a defined period of time.
Lessee
The person or organisation that is using or occupying an asset under lease (tenant).
Lessor
The person or organisation that owns an asset under lease (landlord).
Liabilities
An obligation to transfer economic benefits. Current liabilities are payable within one year.
Loans And Receivables
Financial assets which are not quoted in an active market and have either a fixed or determinable payment.
Loan Modification
A change to the terms of an existing loan. Changes may include a reduction in the interest rate, an extension of the loan term, or a reduction in the principal balance.
Loan Modification Gain/Loss
An amount arising from adjusting the carrying value of a loan to reflect the cash flows under the renegotiated terms of the loan, but accruing interest at the rate specified in the original loan terms.
Long Term Debtor
Income due in more than 365 days of the balance sheet date.
Long Term Liability
Payment due in more than 365 days of the balance sheet date.
Loss
Where expenditure exceeds income.
Loss Allowance
A reduction to the value of financial assets for the expected credit losses relating to those assets.
Materiality / Material
Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.
Maternity Leave
Statutory time off due to pregnant women and new mothers.

Members

Elected Councillors responsible for the democratic leadership of the Council.

Members Allowances

Allowances paid to members in association with their roles and responsibilities.

Minimum Lease Payments

The minimum which will be paid or received over the life of a lease agreement.

Minimum Revenue Provision (MRP)

A prudent amount of revenue set aside to contribute towards capital expenditure which has been financed by borrowing or credit arrangements.

Misstatement

An error whereby something was included in the accounts wrongly.

Modern Equivalent Asset (MEA)

The MEA should give the same service and performance as the existing asset, but should use modern materials and technology.

Movement In Reserves Statement (MiRS)

The statement detailing the movement in the reserves of the Council.

Net Cost Of Services

The direct cost of delivering the Councils services after allowing for specific income received by those services.

Net Operating Expenditure

The cost of operational items which are not direct services, such as disposing of the Councils assets, after allowing for specific income received.

Net Realisable Value

The estimated selling price of an asset in the ordinary course of operations less any completion costs and costs to make the sale, exchange or distribution.

Non Distributed Costs

The value of revenue operating expenditure that is not able to be apportioned to one of the authorities core service areas.

Non-Accumulating Absences

Types of leave an employee may take in a financial year, which if are not taken do not get added to the following year’s entitlement. For example Sick Leave.

Non-Current Assets

Assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.

Non-Vesting

An obligation which cannot be settled by a monetary payment.

Notes To The Accounts

A set of supplementary comments, tables and information which further explains the main Financial Statements.

Obligation

The requirement to transfer economic benefits.

Operating Lease

A lease where an asset is used only for a small proportion of its economic life.

Operational

The normal activities of the Council.

Past Service Cost

Past service cost is the change in the present value of defined benefit obligations caused by employee service in prior periods.

Payment In Advance

A payment made which is before the point of any obligation.

Pension Liabilities

The cost, calculated by an Actuary, of providing the current members of a pension scheme with retirement benefits as set out in the pension scheme rules.

Pensions Costs

The benefits paid by the Council which are accrued during the period of employment and paid to ex-employees after retirement.

PFI

See Private Finance Initiative.

PFI Credits

The financial support provided to Local Authorities to part fund PFI capital projects.

Pooled Investment Funds Adjustment Account

This reserve contains the cumulative gains and losses related to pooled investment funds measured at FVPL as required by the statutory override effective for financial years 2018-19 to 2022-23.

Premium

A payment made in association with the early repayment of debt.

Pre-Payments

See payment in advance.

Present Value

See Discounted.

Previous Year Adjustments

These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.

Principal

The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.

Private Finance Initiative (PFI)

A Government initiative that enables, through the provision of financial support, Authorities to carry out capital projects through partnership with the private sector.

Projected Unit Method

This is a common actuarial funding method to value pension scheme liabilities.

Property, Plant And Equipment Assets (PPE)

Assets with a long Term value and physical substance such as buildings, land, IT equipment or vehicles.

Provisions

Potential costs that the Council may incur in the future because of something that happened in the past, which are likely or certain to be incurred and a reliable estimate can be made to the costs.

Prudent

A cautious approach to present the Financial Statements without significant risk of failure to achieve the assets presented.

Quoted Market Prices

A method of determining the fair value of financial assets via prices quoted on an active market.

Recognition

The process upon which assets are deemed to belong to the Council ether by purchase, construction or other form of acquisition.

Receivable

The Council's unconditional right to receive consideration in exchange for goods or services that it has transferred to a service recipient.

Residual

The remaining value in an asset at the end of a contract or lease.

Retirement Benefits

Remuneration package received by employees after their retirement from the Council.

Retrospectively

Changes made to previous years accounts to alter the treatment which has previously been reported.

Revaluation Gain

The increase to the fair value of an asset following a valuation.

Revaluation Reserve

This reserve contains revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.

Revenue

The cost associated with providing Council services.

Revenue Expenditure

Expenditure which is not capital.

Revenue Expenditure Funded From Capital Under Statute (REFCUS)

This is expenditure that is classified as capital although it does not result in the creation of a fixed asset.

Revenue Grant

Grant which is not capital.

Risk

The chance of an asset not coming to fruition or a liability being greater than anticipated.

Royal Institute Or Chartered Surveyors (RICS)

An international organisation who represent everything professional and ethical in land, property and construction.

Salaries And Wages

Payments made to employees in exchange for service worked at the Council.

Service Concession Arrangements
Arrangements which involve the supply and maintenance of assets and service delivery.
Service Costs
Reflects the element of annual payment for PFI or Leased assets which is in relation to services provided within the contract.
Service Expenditure Reporting Code of Practice (SERCOP)
CIPFA guidelines on reporting revenue expenditure.
Service Level Agreements
Contract of service.
Short Term
Less than 365 days from the balance sheet date.
Short Term Benefits
Employee benefits earned and consumed during employment.
Significant
A measure of materiality where the value is deemed to be almost all of the total value in question.
Soft Loans
Low interest rate loans.
Spot Yields
A calculation of the projected return on bonds if held to maturity.
Staff
See employee.
Statute
Set out in legislation.
Straight Line Basis
The method of calculation of depreciation to allocate an equal amount of depreciation each year over an asset's useful life.
Support Services
Indirect costs of providing Council services including HR, Finance, Legal and Property Maintenance.
Surplus
Arises when income exceeds expenditure or when expenditure is less than available budget.
Surplus Assets
Assets which are no longer in operation.
Tangible
Physical, can be touched.
Tenant
The person or organisation that is occupying an asset under lease.
Termination Benefits
Employee benefits paid upon termination of employment such as redundancy.
The Code
CIPFA guidelines on accounting within Local Government.

Transactions
Individual items of income or expenditure.

Treasury Management
Utilisation of cash flows through investments and loans.

Unidentified Income
Income received by the Council where the reason for the income is unknown.

Unusable
Balances which are not available to support future spending.

Usable
Balances which are available to support future spending.

Useful Life
The period with which an asset is expected to be useful to the Council in its current state.

Value Added Tax
National taxation charged on goods and services.

Vesting
Obligation due which can be paid in cash.

Work In Progress
The fair value of incomplete contracts for goods and services which are to be charged to external customers.

CONTACT INFORMATION

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Annual Governance Statement 2021-22

History			
Version	**Date**	**Detail**	**Author**
1.0	16.11.2022	Final AGS 2021-22 for inclusion in accounts	Audit Services

Contents

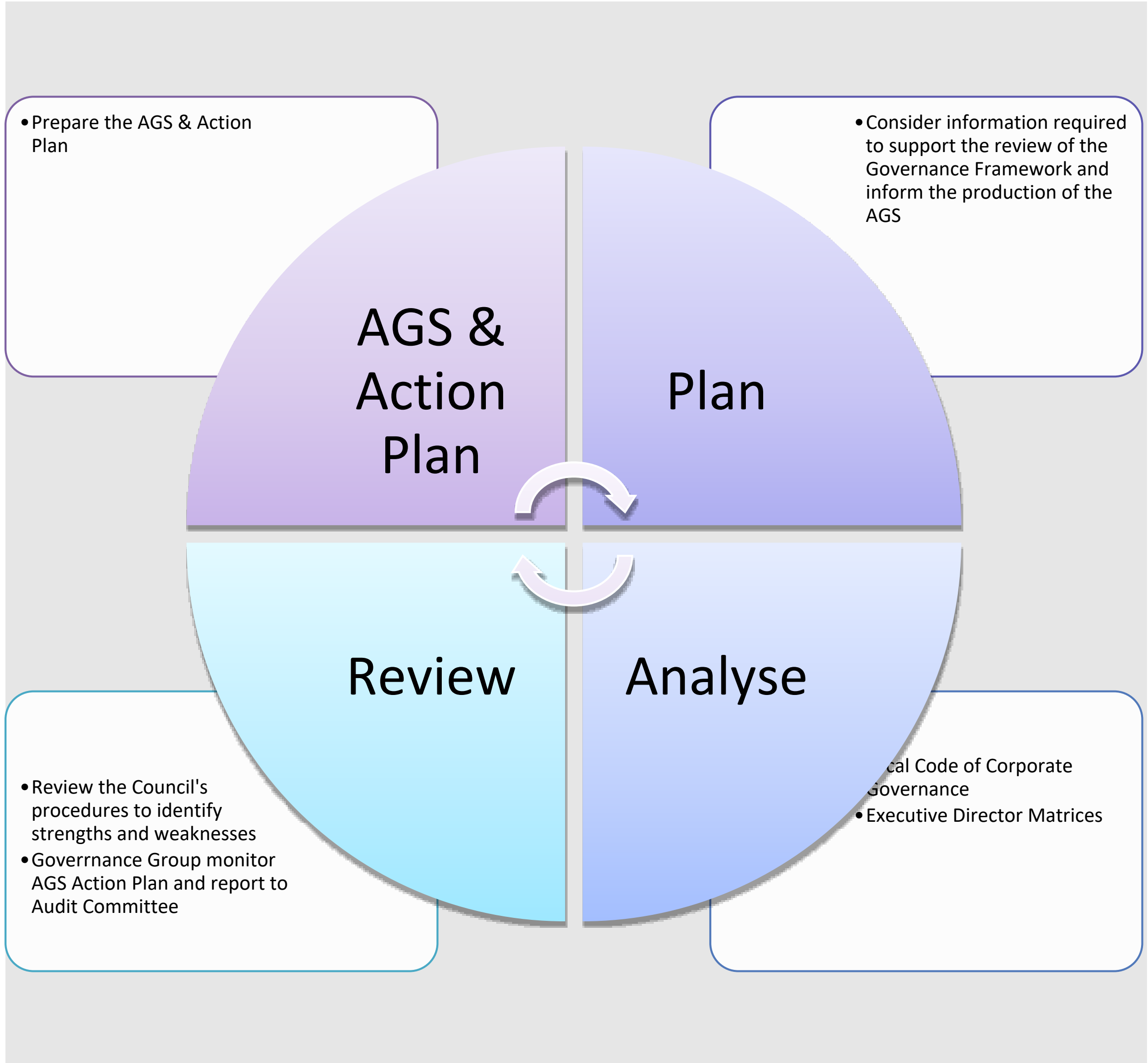
Introduction and the Purpose of the Governance Framework

Defining Corporate Governance

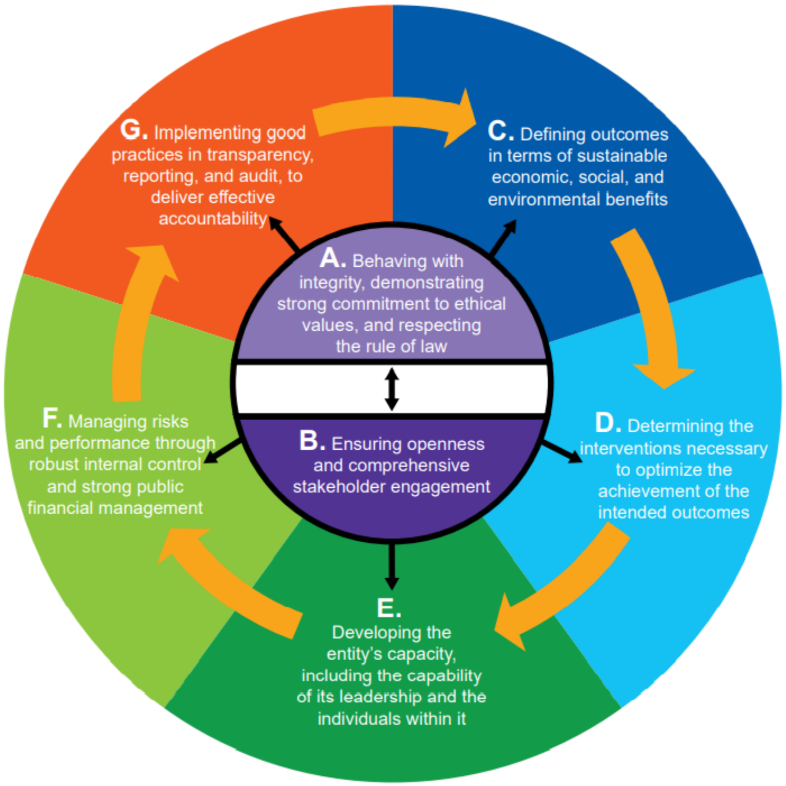
Corporate governance includes the systems, processes, and values by which councils operate and through which they engage with, and are held accountable to, their communities and stakeholders. Good corporate governance underpins credibility and confidence in public services.

Derbyshire County Council is committed to effective corporate governance and has prepared the Annual Governance Statement by: -

- Reviewing the Council's Governance Arrangements against the CIPFA / SOLACE Delivering Good Governance in Local Government Framework;
- Assessed the effectiveness of the Governance Arrangements against the Local Code of Corporate Governance;
- Obtaining Executive Director Assurance Matrices;
- Considering the impact of External Assessments; and
- Monitoring the progress against the recommendations in the 2020-21 AGS Action Plan.



Scope of Responsibility



Source: International Framework: Good Governance in the Public Sector (CIPFA)

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised and is responsible for ensuring that its business is conducted in accordance with the law and relevant standards, that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

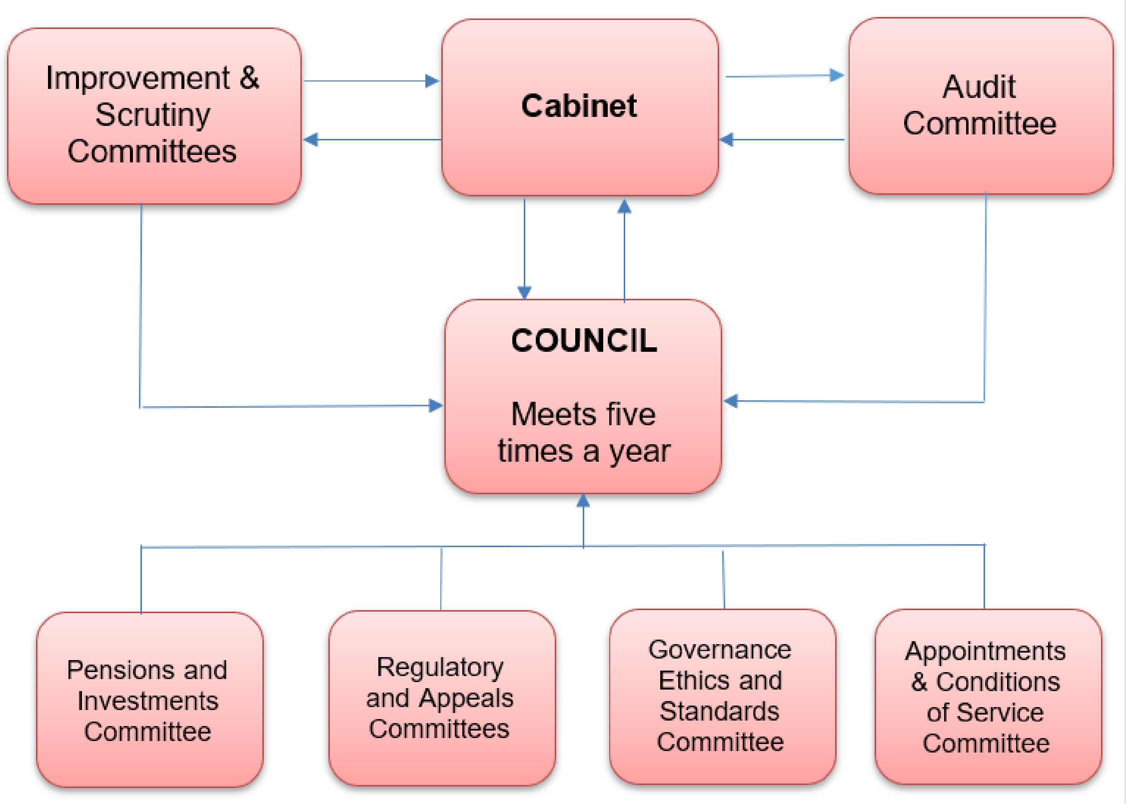
In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk. The Council has developed an approach to corporate governance to ensure that it is consistent with the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and demonstrates its commitment to corporate governance as “good corporate governance underpins credibility and confidence in our public services”.

This Statement explains how the Council demonstrates compliance with the Framework and also meets the requirements of Regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

Derbyshire County Council's Governance Framework and Structure

The governance framework comprises the systems, processes, and values by which the Council is directed and controlled and the activities through which it accounts to, engages with, and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically. The governance framework has been in place at the County Council for the year ended 31 March 2022 and up to the date of the Statement of Accounts being certified by the Director of Finance & ICT.



Council

- 64 Elected Members who are democratically accountable to residents of their electoral division
- Members follow a Code of Conduct to ensure high standards in the way they undertake their duties
- Meetings are generally open for the public to attend except where exempt or confidential matters are being discussed
- Decides the policy framework and sets the budget each year and major plans

Cabinet

- Consists of the Leader of the Council and eight Cabinet Members
- Responsible for guiding the Council in the formulation of its corporate plan of objectives and key priorities
- Has executive responsibility for the implementation of the Council’s key goals and objectives

Governance, Ethics and Standards Committee

- Promotes and maintains high standards,
- Assists Members in observing the Code of Conduct
- Advises the Council on matters relating to the Code

Appointments & Conditions of Service Committee

- Approves corporate employment policies
- Determines terms and conditions of service
- Specific role in the appointment and disciplinary procedure for certain senior officers

Improvement and Scrutiny Committees

- Five Committees which support the work of the Cabinet and the Council as a whole
- Allow citizens to have a greater say in Council matters by holding inquiries in public into matters of local concern
- Lead to reports and recommendations which advise the Cabinet and the Council as a whole on its policies, budget and service delivery, and other public bodies
- Monitor the decisions of the Cabinet
- They can ‘call-in’ a decision which has been made by the Executive but not yet implemented

Audit Committee

- Independently contributes to the Council's process of ensuring internal control systems are maintained
- Responsible for approving and monitoring progress of the annual Audit Plan
- Considers matters referred to the Committee by the Council’s external auditor
- Approves the Annual Statement of Accounts and the Annual Governance Statement

The Annual Governance Statement 2021-22

Departmental Representatives attended the Governance Group and the group has made progress in the year to ensure that the areas for improvement identified in the 2020/21 Action Plan have been addressed, or there is a plan to do so. During the year the Local Code of Corporate Governance has been finalised and approved by Audit Committee and reviews of lessons learnt from other public bodies and public interest reports have commenced. In addition, the Council's Constitution continues to be kept under review and is updated, as and when required, to strengthen the robustness and integrity of the governance framework. The main changes in 2021-22 are:

- Include new council procedure rules, a new code of conduct for councillors and updated members' allowances scheme.
- Incorporate the terms of reference for the new Vision Derbyshire Joint Committee.
- Update the list of trading standards enforcement legislation.
- Make minor amendments so that the constitution reflects:
  - the Managing Director role arising from new operating model,
  - the duties arising under the Counter-Terrorism and Security Act 2015, and
  - the new whistleblowing policy.
- Make minor amendments so that the Constitution no longer refers to cabinet member meetings (CabCos).
- Provide delegated authority to the monitoring officer to make minor amendments to the constitution.

The ongoing recovery from Covid-19 has remained a significant issue throughout 2021/22. Although the successful roll out of vaccines since December 2020 means that the UK has returned to a near pre-pandemic normal way of living with the virus, the Council has continued to manage the ongoing and long-term implications of the virus throughout the year. Although the restrictions in England were gradually lifted in from March to June 2021, the Council has been cautious in the return to the office for staff. There has been an increase in pressure for services as recovery following Covid-19 is being managed. The Council continues to monitor the views and wellbeing of staff through the Employee Survey and is developing strategies to support our staff. However, there remain ongoing pressures in terms of staffing levels and recruitment to certain jobs and roles which nationally are seeing shortages of workforce supply which is proving to be a challenge for some services and functions which may prove to be difficult in the short term

Although finance staff completed work to produce the Financial Statements for 2021/22, a delay with property valuations meant a revised accounts timetable was agreed. This will result in a slight delay to External Audit of the 2021/22 accounts.

Just as the UK emerges from one crisis in the form of the Covid-19 pandemic, the invasion of Ukraine by Russia has created another economic storm which has compounded the impact of already rising fuel and food costs, general inflation and fragile supply chains. These impacts will have a direct effect on certain Council services, residents and the wider economy with uncertainty when the situation will stabilise. Whilst the Council continues to demonstrate strong financial management even in these times of great uncertainty, there will be significant risks and challenges in the short to medium term as the Council is not immune from these economic shocks.

Other significant risks and challenges which must be addressed by the Council include the threat of cyber-attacks and climate change. This has been brought to the forefront of priorities following a successful cyber-attack against the Council in May 2022. Whilst the impact appears to have been limited in respect of any data loss and the Council has been able to continue with business as usual, so services have not been directly affected, significant staff resources and some costs have been incurred to rectify the situation. In addition, the resources required to limit and manage the impact of climate change are also potentially significant. In April 2022, Cabinet approved the adoption, delivery and publication of the Vision Derbyshire Climate Change Strategy (2022-2025) which focuses on reducing emissions across Derbyshire.

In May 2021 the County Council elections took place and new and returning councillors were provided with an induction programme. Virtual council meetings could not lawfully take place after 6 May 2021 therefore suitable arrangements were put in place to ensure a safe return in accordance with social distancing requirements which were in place at that time to ensure effective decision making continued. The first such in person meeting was the Covid secure AGM held at Casa Hotel in Chesterfield. Procedures are in place to ensure lawful and efficient decision making, including:

- Implementation of modern.gov system with training provided to officers and mod.gov champions/report co-ordinators established.
- New report templates embedded that ensures reports include an analysis of alternative options, the reasons for the recommendation and an analysis of a range of implications contained within the report.
- New forward plan embedded to not only comply with legal requirements to provide notice of key decisions, but also supports the scrutiny committee work programming and in particular ‘pre decision’ scrutiny.
- Council, Committee and Cabinet reports produced via mod.gov.
- Cabinet Member reports approved and published via mod.gov.

A thorough review of the standards regime by the Governance, Ethics and Standards Committee has resulted in:

- The approval of new arrangements for dealing with code of conduct complaints.

- The approval of a new Code of Conduct based on the LGA model code.
- A reduction in the number of Independent Persons to 2 and a review of the remuneration paid to them.
- Appropriate delegations to the Monitoring Officer to agree dispensations.

The agreed Scrutiny Review action plan has been substantially implemented.

The Corporate Peer Challenge follow-up visit in October 2021 reviewed the progress the Council had made against the recommendations identified by the original report in 2018 where it was considered that the Council's approach to governance appeared to be sound. This follow-up review identified a range of areas where the Council's approach is positive, many of which are fundamental to good governance including leadership, priorities and performance management, partnerships and financial management and decision making. Although generally positive, the review made three recommendations to ensure that the Council maintains its momentum and continues to improve. Whilst the Council considered that it was already making progress in these areas, it outlined and agreed the next steps to address the recommendations within the report and that these would be aligned with the development of the Council Plan refresh 2022-23. A further update on progress will be received and considered in due course.

The Council has created 3 joint ventures with other organisations during 2020 to help deliver property services. In May 2020, PSP (Derbyshire) Limited was created to review, develop, and renew our property and land assets, subsequently changing its name to Develop Renew. In September 2020, Concertus Derbyshire Limited was created to provide design services for capital projects that the Council delivers. At the same time Vertas Derbyshire Limited was created to provide caretaking and cleaning services to schools and the Council's other buildings. In November 2020, Vertas also took over responsibility for the Council's grounds maintenance service.

Governance arrangements are clear for the joint ventures which include the establishment of the DCC Trading Committee to ensure oversight of the performance of the JVs.

The Council has been collaborating with **neighbouring local authorities** and partners in health and the police, to ensure we are best placed for local delivery of the Government's levelling up strategy. This includes work to secure a County Deal across the Derby, Derbyshire, Nottingham, Nottinghamshire area.

At this point it should be noted that the Annual Governance Statement for 2021/22 follows a similar format to that of previous as new CIPFA guidance is expected to be published in 2022 which will shape future statements. It is also considered that the Council's Environmental, Social and Governance (ESG) criteria and approach will be subject to increasing review and scrutiny in future.

The Effectiveness of the Council's Governance Arrangements

As part of this process, an assessment has been made of the Council's performance against each of the seven core principles using the following criteria:-

Category	Definition
Strong	The governance framework is effective and fit for purpose, although some minor weaknesses and improvements may have been identified.
Good	Whilst the governance arrangements are generally effective, there are gaps within the framework which need to be addressed. Should these issued remain unaddressed, there is an increased risk that the Council may be exposed to reputational risk.
Review	Significant weaknesses have been identified in the governance arrangements which expose the Council to reputational risk.
Action	The governance arrangements are considered to be deficient as weaknesses have been identified in a number of key areas rendering the overall framework ineffective and leaving the Council open to a high risk of error/abuse and significant reputational risk/damage.

Arising from this assessment of governance arrangements an Action Plan has been developed and is attached. Detailed actions and dates for completion will be determined to address each area for improvement which will be reported to the Audit Committee who will, in turn, monitor progress.

The Annual Governance Statement summarises the findings of the review of the Council's existing governance arrangements.

The review examined the Council's position against the CIPFA/SOLACE Framework Delivering Good Governance in Local Government which defines the seven core principles, each supported by sub-principles which underpin the governance framework of the Council.

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What is working well and areas for improvement			
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**
Principle A Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	**Review**	➢ The Council Plan sets out the Authority's key priorities, values and the outcomes it is seeking to achieve; ➢ The Constitution details the roles of the Cabinet, Committees, full Council, Executive Directors and Statutory Officers and continues to be reviewed and updated; ➢ Codes of Conduct define the standards of behaviour for Members and officers. The Code of Conduct for elected members was reviewed during 2021/22 and a new code based on the LGA model code of conduct was approved by Council on 23 March to come into effect on 1 April 2022; ➢ A robust process for dealing with code of conduct complaints is in place following a review by the Governance, Ethics and Standards Committee and consideration of the LGA guidance on dealing with complaints; ➢ There is an electronic process for officers to make declarations of gifts and hospitality and quarterly reports to departmental management teams have been introduced; ➢ The Authority operates an Equality and Diversity Policy 2022-25, Whistleblowing Policy and Complaints Procedures; the Council's Complaints procedures will be reviewed by Audit Services in 2022/23;	➢ The Employee Code of Conduct was last updated in 2015. The requirements of the Code should be reflected in other policies and not be seen in isolation. This work commenced January 2022. ➢ Work is ongoing to finalise the Officer Declaration of Interests Policy. An officer group has been established to review this; ➢ The Whistleblowing Policy was updated 2021/22 but work is required to develop a Whistleblowing Referral Form and continue to ensure that the policy is communicated widely, understood and embedded; ➢ Complete the implementation of the good practice recommendations following receipt of recent report from the Committee on Standards in Public Life. A revised target date has been set for Summer 2022; ➢ An Anti-Fraud and Anti-Corruption Strategy, and Fraud Response Plan are in place but have not been refreshed since 2015. These will be updated in

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What is working well and areas for improvement				
Core Principles of the Framework	**Overall Assessment**	**Strengths**		**Areas for Improvement**
		➢ The Monitoring Officer is responsible for ensuring the lawfulness of decisions taken by Council, Cabinet, Committees and officers; ➢ Reports are considered for legal and financial implications and signed off on behalf of the Chief Financial Officer and Monitoring Officer; ➢ Embedded arrangements for the delivery of Improvement and Scrutiny; ➢ Financial Management Arrangements conform to the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016); ➢ The Governance, Ethics and Standards Committee monitors and reviews the operation of the Constitution and has recommended a number of amendments during the year that have been agreed by Council; ➢ Role profiles have been agreed for Members and together with Personal Development Plans inform Member Development programmes; ➢ Clear channels of communication are in place for all sections of the community and stakeholders; ➢ Embedded Financial Regulations and Standing Orders, Procurement policies and practices; ➢ The Council's Corporate Governance Group is chaired by the Managing Director and attended by Departmental Representatives and the Section 151 and Monitoring Officers; ➢ The Council reviews how it best protects its vulnerable residents and seeks to take on	2022/23. The Anti-Money Laundering Policy is reviewed and updated on an annual basis, but is not widely publicised; ➢ The Anti-Fraud arrangements could be more widely communicated and supported by training. A training module has been developed using the Online Learning Platform is available to staff. Further work is needed to encourage better take-up of this training; ➢ The review of the Derbyshire Partnership Toolkit has still to be completed. However, work to review the protocol and toolkit will take place following an audit of Council partnership activity which will create a clear picture of current arrangements; ➢ Training on the new Member Code of Conduct to be delivered to Members April - June 2022; ➢ Mod.gov (committee management system) has been rolled out during 2021/22, but further work is needed to embed processes, in particular timescales to enable approval of reports on behalf of the Chief Financial Officer and Monitoring Officer.	

What is working well and areas for improvement				
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**	
		board learning from all relevant reviews whether they are Derbyshire focussed or not.		
Principle B Ensuring openness and comprehensive stakeholder engagement	**Good**	➢ The Assistant Director of Finance (Audit) produces an Annual Report which is considered by Audit Committee, highlights both significant areas of good practice and those where improvements can be made. This Report includes the annual internal audit opinion which concludes on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control; ➢ The Authority operates a partnership protocol, toolkit and database with specific requirements of partnership working defined in Financial Regulations; ➢ The Council publishes Member decisions on the website; ➢ The Council engages with the citizens of Derbyshire; ➢ The Council consults stakeholders as part of the decision making process where appropriate; ➢ The Council fulfils its responsibilities on the Duty to Cooperate; ➢ Equality Impact Assessments are undertaken and considered in decision making; ➢ A Communications Strategy is in place; ➢ The Council consults with citizens, trade unions and business ratepayers when setting its budget; ➢ The Council has an "Enterprising Council" Strategy and approach designed to ensure services meet the needs of users, utilising	➢ More active use of parish/town councils and community groups has been considered and actions are required to achieve this. Plans are in place to develop a new consultation, engagement and involvement strategy by December 2022. This will look to review existing mechanisms, identify gaps and outline proposals for the future; ➢ A comprehensive picture of all partnerships is required; work will follow an audit of the protocol and toolkit; ➢ Partnership working arrangements are redesigned using the Thriving Communities approach to create strategic partnership engagement to deliver shared outcomes. The Thriving Communities governance arrangements have been reviewed and Terms of Reference refreshed. Representation from the Vision Derbyshire Communities Chief Executive Lead on the Board has been secured which should lead to a greater understanding by September 2022; ➢ Further development of the mod.gov system is required to	

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What is working well and areas for improvement				
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**	
		the best delivery vehicle in each circumstance; ➢ The Council has an online Committee Management System (mod.gov) to improve access to councillors, decision making and democracy; ➢ Revised report templates were introduced in May 2021 to enable openness and consideration of stakeholder consultation; ➢ Employee engagement is in place through surveys and feedback on outcomes.	provide the necessary platform for the publication of officer decisions.	
Principle C Defining outcomes in terms of sustainable economic, social and environmental benefits	**Review**	➢ The Council Plan outlines the Council's strategy and vision; ➢ Departmental and Service Plans are developed which are consistent with the overarching Council Plan and incorporate a range of performance measures; ➢ Progress against a range of targets is monitored. Performance against financial and performance targets is formally monitored on a quarterly basis within the Performance Monitoring and Budget Monitoring / Forecast Outturn Report; ➢ The Authority has in place an effective risk management framework; with the risk management framework is consistent with the Corporate Risk Management Strategy 2021-25; ➢ The Strategic Risk Register is subject to regular review; ➢ Capital investment is structured and in line with the Investment Strategy; ➢ The Draft Asset Management Strategy will be presented to the Capital Asset Management Strategy Group on 25 April 2022 for consideration/comment;	➢ Ensure key equipment and processes to support business continuity planning are effectively maintained; ➢ A social value approach is in place. The Council has continued to develop this so that social value to ensure that the economic, environmental and social benefits are embedded, realised and captured consistently for Derbyshire when procuring services.	

What is working well and areas for improvement				
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**	
		➢ Revised report templates were introduced in May 2021: this prompts consideration of a longer term view in the decision making process, with more emphasis placed on measuring and monitoring longer term outcomes as opposed to outputs. The templates also ensure that the decision maker is advised on the wider implications of the decision, including Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding.		
Principle D Determining the interventions necessary to optimise the achievement of the intended outcomes	**Review**	➢ Financial Regulations and Standing Orders in relation to Contracts are subject to periodic review by officers and the Audit Committee; ➢ Decision making protocols are in place; ➢ Financial, Procurement and ICT Strategies are in place; ➢ Revised report templates were introduced in May 2021 that prompt consideration and explanation of a number of key implications, rather than a statement that specific matters have been considered; ➢ The Council has Improvement and Scrutiny Committees in place; ➢ A new streamlined process for Cabinet Member decisions has been introduced and decisions are now published through Modern.gov.	➢ Work to improve consistency and effectiveness of business cases is in progress as part of the development of the new PPM approach in the Council. This will be completed by August 2022; ➢ The Council is working to develop a more proactive approach to the use of collective intelligence to guide decision making, rather than data. This is expected to be achieved through the development of cloud, SAP S4/HANA, other software, roles and use of intelligence by August 2022; ➢ Revised People Strategy will be useful to ensure consistent council wide approach and guide future investment in skills is drafted but not fully embedded yet. This needs to be fully embedded; ➢ Development of a robust post implementation review process for major projects. CMT approved the	

What is working well and areas for improvement				
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**	
			approach to review existing change projects and programmes and embed robust project management across the Council; ➢ Review of officer scheme of delegation to optimise achievement of outcomes; ➢ Further development of the mod.gov system is required to provide the necessary platform for the publication of officer decisions; ➢ The approved Scrutiny Action Plan has been substantially delivered during 2021/22, however further work is required to ensure this is fully embedded; ➢ A governance training package is under development.	
Principle E Developing the entity's capacity, including the capability of its leadership and the individuals within it	**Review**	➢ The Council appointed a new Managing Director in 2021 to strengthen leadership capacity; ➢ Members and officers work together to deliver a common purpose with clearly defined functions and roles; ➢ The arrangements for Member training and development are reviewed through the Member Development Working Group; ➢ A comprehensive Member Induction Programme was delivered following the 2021 County elections; ➢ Staff development is supported through the provision of generic and specific skills training including supporting the maintenance of professional standards and qualification training including use of the apprenticeship levy;	➢ Whilst there are areas of good practice relating to staff inductions and MyPlans there are opportunities to develop these processes. The pilot of the new performance management process (PDR) framework has been rolled out across senior leaders with plans to review by April 2023; ➢ Workforce planning support in underway for service areas that have high agency spend and recruitment and retention challenges; ➢ A leadership development programme is being developed in conjunction with revised learning request processes for employees;	

What is working well and areas for improvement				
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**	
		➢ The approach to engaging, leaders and developing leaders has been reviewed and deployed with the Shaping the Future forum; ➢ The Council is implementing its Performance and Development Review (PDR) framework trial for senior leaders, with MyPlan continuing for all remaining employees; ➢ Staff are able to access training in new technology and IT systems to ensure effective use of systems.	➢ Detailed officer guidance on executive decision making and non-executive decision making is in place and published on mod.gov, however it has not been widely promoted. Further work is required to ensure it is embedded; ➢ A 'governance' training programme covering Local Government Governance Basics; Decision Making basics; Report writing/Producing Effective reports, The Constitution, Understanding the Code of Conduct for Members and Member/Officer Relations, Political awareness, Contracts and Procurement; Anti-Fraud and Corruption and Whistleblowing is to be developed to improve knowledge.	
Principle F Managing risks and performance through robust internal control and strong public financial management	**Good**	➢ The Audit Committee operates in accordance with prescribed terms of reference and holds Statutory Officers to account. The Committee receives, approves and monitors the Audit Plans for internal and external audit; ➢ The Audit Committee monitors the effectiveness of the Authority's risk management arrangements; ➢ Audit Committee Members are provided with relevant training; ➢ The effectiveness of the governance framework including the system of internal control is reviewed annually; ➢ Audit Services review the effectiveness of the Authority's internal controls;	➢ Internal Audit and ICT Services completed a cyber risk assessment in February 2021, but cyber security threats will require ongoing monitoring and development of appropriate responses. The need for a cyber security working group was identified in the 2019-20 Annual Governance Statement but is yet to meet; ➢ The APEX performance system is currently being further developed to include integration of risk. This will support the use of the system to its full capacity;	➢ Develop the process for lessons learnt from internal incidents and external Public Interest Reports.

What is working well and areas for improvement				
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**	
		➢ The Council has a Risk Management Strategy 2021-25 in place; ➢ The Strategic Risk Register is subject to regular review; ➢ Emerging risks are identified by horizon scanning activity by Internal Audit Services and Risk Management; ➢ Departmental risk registers are in place and regularly reviewed by management teams; ➢ The Council has been proactive in its approach to the UK General Data Protection Regulation (GDPR) and dealing with data breaches; ➢ Data Protection arrangements are continually monitored by the GDPR Group; ➢ The Council has a Medium Term Financial Plan and effective Budget Monitoring Procedures endorsed in the recent Corporate Peer Review by the Local Government Association; ➢ The Scrutiny Committees scrutinise decisions made, or actions taken in connection with the discharge of any of the Council's functions; ➢ The standards of behaviour and conduct are detailed in the Member and Officer Relationships Protocol and Code of Conduct; ➢ The Whistleblowing Policy enables individuals or organisations to disclose information about malpractice whilst offering protection; ➢ Quarterly corporate performance and financial management reports are produced and presented to Cabinet. This supplements performance management	➢ A new project management approach in under development, once embedded it will strengthen management of change and associated risks; ➢ There have been delays in revaluing property for insurance purposes; ➢ Data Management Strategy was still under review as at March 2022 and is now due for approval in 2022/23; ➢ The follow-up report to the Peer review recommended "Reviewing the financial plan to recognise the new financial environment as the Council emerges from the pandemic".	

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What is working well and areas for improvement				
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**	
		arrangements operating within individual Departments; ➢ Independence of Internal Audit and unrestricted access to all Members and officers as appropriate; ➢ Ensuring compliance with the principles set out in the CIPFA guidance on the Role of the Chief Financial Officer in public service organisations; ➢ The value for money opinions from of ISA260 highlights strong financial management.		
Principle G Implementing good practices in transparency, reporting and audit to deliver effective accountability	**Review**	➢ The Constitution defines how the Council operates and the decision making processes to ensure the Council is efficient, transparent and accountable to local people. This was reviewed and a number of amendments were agreed by Council during 2021/22, to ensure it remains fit for purpose; ➢ Council, Departmental and Service Plans set out objectives and include performance targets; ➢ Council, Cabinet and Committee meetings are open to the public, unless exempt or confidential information is being considered, and minutes are published on the website through the online Committee Management System to aid transparency of the democratic process; ➢ Financial Statements are produced and published on a consistent and timely basis; ➢ Departmental Financial Schemes of Delegation supplement the Council's Financial Regulations and Standing Orders relating to Contracts; ➢ The Assistant Director of Finance (Audit) produces their Annual Report which is	➢ Work is in progress to review the Local Choice functions, Officer Employment Procedure Rules and the Scheme of Delegation; ➢ Continue to improve robust systems for property valuations building on the enhancements completed during recent years; ➢ Continue to action the recommendations of LGA Peer Review follow-up; ➢ Continue to develop systems and protocols to support and monitor partnership working. The initial focus has been to review the Partnership Protocol and approach as overall context for the work plan and future actions; ➢ Embed the process to produce the AGS in a timely manner; ➢ Partnership working arrangements are to be reviewed.	

What is working well and areas for improvement				
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**	
		considered by Audit Committee and highlights both significant areas of good practice and those where improvements can be made; ➢ The Council routinely publishes data and meets the requirements of the Local Government Transparency Code; ➢ Departmental Schemes of Delegation were reviewed during 2021/22; ➢ A Forward Plan of ‘key decisions’ is now embedded that looks to the future for a period longer than the statutory requirement; ➢ Resource has been made for an Internal Audit Service; and regular progress reports on audit findings are received by Audit Committee to provide assurance on the risk management, governance and internal control arrangements of the Council.		

The Annual Governance Statement & Opinion

We have been advised on the implications of the results of the review of the effectiveness of the governance framework by the Audit Committee and it is our opinion that the Council's corporate governance framework is generally fit for purpose and can be considered to be adequate. However, it is recognised that there are areas which could be improved and the Council has a plan to address weaknesses and ensure continuous improvement of the system is in place.

We propose over the coming year to take steps to address those opportunities for improvement highlighted above so as to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements which were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Councillor Barry Lewis
Leader of the Council

Date

Emma Alexander
Managing Director

Date

On behalf of Derbyshire County Council

Action Plan - Areas for Improvement

Principle	Area for Improvement	Agreed Action	Responsible Officer	Completion Date	Position March 2022
Principle A Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	➢ The Employee Code of Conduct was last updated in 2015. The requirements of the Code should be reflected in other policies and not be seen in isolation It is anticipated that this will completed by December 2021.	Complete December 2021	Director of Organisation, Development & Policy	December 2021	Commenced review January 2022.
	➢ Officers' declarations of interests and gifts and hospitality are not consistently made and recorded. An officer group has been established to review this;	Officer working group established and met with action plan of activity.	Director of Legal & Democratic Services	March 2022	Work in progress. The review has been completed and proposals for improvement are to be agreed, Further action is required in 2022-23 to progress and agree new process/policy

					A new online process for declaring gifts and hospitality has been introduced to improve consistency and recording.
	➢ The Whistleblowing Policy is currently being updated and will be communicated widely This is scheduled for July 2021;	Revised Policy to be taken to Audit Committee on 21 September. GES on 20 October and Cabinet for formal approval on 18 November 2021.	Director of Legal & Democratic Services	November 2021	Completed
	➢ Implement the good practice recommendations following receipt of recent report from the Committee on Standards in Public Life. A target date has been set for December 2021;	Most have been implemented. Check to be undertaken to ensure that they have been delivered.	Director of Legal & Democratic Services	December 2021	A number of the recommendations were completed in 2020. The recommendations relating to the contents of the Code of Conduct will be addressed through the current review of the Code.

Page 303					Revised target Summer 2022.
	➢ The Anti-Fraud arrangements could be more widely communicated and supported by training. A training module has been developed using the Online Learning Platform with the intention of delivering this by December 2021.	Work has commenced to review the Council's Counter Fraud Arrangements against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption and the Fighting Fraud and Corruption Locally Strategy.	Assistant Director of Finance (Audit)	Progress will be reported to the Audit Committee alongside the National Fraud Initiative (NFI) update in March 2022.	Fraud Module completed, Fraud letter to be issued shortly and NFI outcomes to reported to Audit Committee in March 2022 Audit Committee – Members Fraud Awareness Session delivered February 2022. Outcome of self-assessment against best practice recommendations reported to Audit Committee March 2022. Further work required to refresh policy, strengthen existing arrangements and communicate for increased awareness.

	➢ Review of the Derbyshire Partnership Toolkit	The review of the toolkit has commenced following identification of resources to support both the review and implementation of any identified actions.	Director of Organisation, Development & Policy	September – December 2022	Resources in place and review underway to identify current position on partnerships.
Principle B Ensuring openness and comprehensive stakeholder engagement	➢ Partnership working arrangements are redesigned using the Thriving Communities approach to create strategic partnership engagement to deliver shared outcomes.	The Thriving Communities governance arrangements have been reviewed and Terms of reference refreshed. The Board Representation from the Vision Derbyshire Communities Chief Executive Lead on the Board has been secured and this will support greater links into overarching strategic partnership arrangements over time.	Director of Organisation, Development & Policy	Completed	Completed
Principle C Defining outcomes in terms of sustainable economic,	➢ Ensure that decisions are taken with regard to, or are based on the longer term view. The new	New templates together with guidance were launched in May 2021.	Director of Legal & Democratic Services	Completed	Completed

social and environmental benefits	report templates implemented in May 2021 should meet this requirement;				
	➢ More emphasis could be placed on measuring and monitoring longer term outcomes as opposed to outputs. This should be met using the revised report templates;	Issued	Director of Legal & Democratic Services	Completed	Completed
	➢ Ensure key equipment and processes to support business continuity planning are effectively maintained;	This was a Business Continuity Group action during Covid. This activity is now the responsibility of each department to develop and maintain their Business Continuity Plans with support from Emergency Planning and other functions as required.	Director of Organisation, Development & Policy	Original action completed	Completed
	➢ A social value approach is in place. The Council	The procurement of Social Value software has been	Director of Finance & ICT	March 2023	Implementation underway

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	has continued to develop and embed social value to ensure that the economic, environmental and social benefits are realised and captured consistently for Derbyshire when procuring services;	agreed and will be implemented over the coming months. Value will be optimised over a 12-month period.			
	➢ Work has been ongoing to develop a comprehensive Asset Management Strategy. The final document will be considered by the Governance Group in 2021.	Work to finalise the comprehensive Asset Management Strategy continues and it will be presented to the Governance Group during 2021/22 for consideration and approval	Director of Finance & ICT / Performance and Engagement Manager (Place)	December 2021	Work commenced on an Asset Management Strategy in 2021; this was due for consideration by Capital Asset Management Group in May 2022
Principle D Determining the interventions necessary to optimise the achievement of	➢ Development of consistent and effective business cases;	Work underway as part of the establishment of the Council's new Programme and Project Management Office	Director of Finance & ICT	Summer 2022	Work in Progress

the intended outcomes	➢ The Council could develop a more proactive approach to the use of collective intelligence to guide decision making, rather than data;	This is expected to be achieved through the development of cloud, SAP S4/HANA, other software, roles and use of intelligence.	Director of Finance & ICT	Implementation now scheduled for 1 October 2022	Dependent upon implementation of SAP S4/HANA
	➢ Revised People Strategy will be useful to ensure consistent council wide approach and guide future investment in skills is due to be approved in July 2021. This needs to be fully embedded;	The strategy was approved by Cabinet in July 2021 and work is now underway to develop departmental people plans aligned to the agreed 5 people priorities.	Director of Organisation, Development & Policy	Completed	Completed
	➢ Development of a robust post implementation review process for major projects. CMT approved the approach to review existing change projects and programmes	Work underway as part of the establishment of the Council's new Programme and Project Management Office	Performance and Engagement Manager (Place)	Summer 2022	Reassigned to Director of Organisation, Development & Policy The new Project and Programme management approach will be rolled out over Summer 2022. This will

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	and embed robust project management across the Council;				include core processes, templates and will be supported by a Training plan. Business Change Business Partners will be providing support to Directorates and project and programme managers.
Page 308	➢ Review of officer scheme of delegation to optimise achievement of outcomes. The use of Modern.Gov to assist the recording of decision making is expected to be completed by December 2021.	Progressing the use of Modern.gov to support decision making by officers and Members. The wider review of the officer scheme of delegation is a larger project.	Director of Legal & Democratic Services	December 2021 March 2022	Completed – A new streamlined process for Cabinet Member decisions has been introduced and decisions are now recorded through Modern.gov. Target for Officer decisions to be recorded through Modern.gov - March 2022. Revised Target - December 2022
Principle E Developing the entity's capacity, including the capability of its	➢ Whilst there are areas of good practice relating to staff inductions and MyPlans there are opportunities	On going	Director of Organisation, Development & Policy	In progress and on track for completion March 2022	Implemented for Grade 14 and above employees.

leadership and the individuals within it	to develop these processes. The launch of the new performance management process (PDR) will be rolled out across the Council by March 2022;				Trial to continue in 2022-23 with review by April 2023.
	➢ Workforce planning support has commenced in service areas that have high agency spend and recruitment and retention charges. Succession Planning has been identified as a priority within the People Strategy. Workforce planning proposals are expected by March 2022;	On going	Director of Organisation, Development & Policy	On track for completion March 2022	Workforce Plans are in place for all high priority workforce groups. Succession planning pilots have been running and will be reviewed during 2022-23. Agency working group concluded, with regular reporting of agency spend at the Budget Strategy Group.
	➢ Consistent training of new staff in the IT systems they are expected to	This is to be developed as part of the ICT restructure	Director of Finance & ICT	Summer 2022	Ongoing

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	use, alongside refresher training for existing staff to ensure effective use of systems.	and new systems implementation.			
Principle F Managing risks and performance through robust internal control and strong public financial management	➢ Cyber security threats will require ongoing monitoring and development of appropriate responses which is a key work stream for the cyber security working group that was established in April 2021;	Cyber Security Group established. Monitoring and active response to threats.	Director of Finance & ICT	Ongoing	Cyber Security needs to meet and determine its work programme. Actions are to be delivered to address Cyber risks following the advice from the NCSC
	➢ The APEX performance system requires further development to utilise it to its full capacity to integrate performance and financial reporting.	Significant work has taken over the last twelve months to integrate performance and financial reporting through APEX. These actions have been completed. Further integration of risk is now underway.	Director of Organisation, Development & Policy	March 2022	Integration of risk continues to be developed within Apex.

	➢ Develop the process for lessons learnt from internal incidents and external Public Interest Reports.	Create "library" of known incidents and share recommended best practice.	Director of Finance & ICT	Underway	A repository of documents has been added to the Finance Teams site and will continue to be updated as reports become available.
Principle G Implementing good practices in transparency, reporting and audit to deliver effective accountability	➢ Continue to improve robust systems for property valuations building on the enhancements completed during recent years;	Regular liaison with Finance and audit colleagues, early agreement of revaluation schedules on an annual basis. Clear timetable for delivery of valuations.	Director of Corporate Property	Ongoing – annual process	2021 valuations successfully completed. Lessons learnt to be review and implemented in 2022.
	➢ Continue to action the recommendations of LGA Peer Review to aid future improvement. The follow-up visit has been rescheduled for September 2021 with a new draft position statement considered by CMT on 1 June	Recommendations continue to be implemented. Statement of current position developed in advance of the Follow-Up visit. Visit took place in October 2021.	Director of Organisation, Development & Policy	Completed, subject to implementation of actions identified from the Follow-Up.	Corporate Peer Challenge report reported to Cabinet 10 February. Actions arising from the inspection to be incorporated into the Council Plan refresh.

	2021 and working group meetings taking place fortnightly;				
	➢ Continue to review the Constitution to ensure it remains fit for purpose to deliver effective accountability. This has identified areas for review in 2021-22.	Ongoing.	Director of Legal & Democratic Services	Ongoing	A number of amendments were agreed by Council during 2021-22. Currently work is in progress to review the Local Choice functions, Officer Employment Procedure Rules and the Scheme of Delegation.
	➢ Continue to develop systems and protocols to support and monitor partnership working.	The initial focus has been to review the Partnership Protocol and approach as overall context for the work plan and future actions. Once the review has been undertaken priority actions to implement new approach will be identified.	Director of Organisation, Development & Policy	March 2022 onwards	See partnership action above.
	➢ Embed the process for the production of the	Ongoing	Director of Finance & ICT and Director of Legal &	Ongoing	Ongoing

	AGS in a timely manner.		Democratic Services		

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Public

Pre-Audit
Statement of Accounts
2022-23

Mark Kenyon BA(Hons) FCPFA
Director of Finance & ICT (Section 151 Officer)

Version History			
Version	**Date**	**Detail**	**Author**
1.0	10.07.23	Pre-Audit Statement of Accounts 2022-23 for signature and publication.	E Scriven S Holmes

This document has been prepared using the following ISO27001:2013 standard controls as reference:	
ISO Control	**Description**
A.8.2	Information classification
A.7.2.2	Information security awareness, education and training
A.18.1.1	Identification of applicable legislation and contractual requirements
A.18.1.3	Protection of records
A.18.1.4	Privacy and protection of personally identifiable information

CONTENTS

Introduction

This Statement of Accounts presents the overall financial position of the Council for the year ended 31 March 2023. It has been produced in compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting (the Code), based on International Financial Reporting Standards (IFRS). IFRS are made up of a combination of many individual accounting standards.

This document also includes information relating to the Derbyshire Pension Fund, which the Council administers on behalf of its own staff, local authorities and other admitted bodies.

Basis of Preparation and Presentation

When preparing the accounts, an authority need not comply with the Code if the information is not material to the “true and fair” view of the financial position, financial performance and cash flows of the authority and to the understanding of users.

Information is material if omitting it, or misstating it, could influence decisions that users make on the basis of financial information about a specific authority.

The Accounting Policies of the Council have been prepared in accordance with IFRS, as adopted by the Code. Where there is no specific guidance in the Code, the Council has developed its own Accounting Policies, which are aimed at creating information which is relevant to the decision-making needs of users and reliable, in that the financial statements:

- represent fairly the financial position, financial performance and cash flows of the entity;
- reflect the economic substance of transactions, other events and conditions and not merely the legal form;
- are neutral i.e. free from bias;
- are prudent; and
- are complete in all material respects.

The Council’s Accounting Policies outline how the Council should account for all income, expenditure, assets and liabilities held and incurred during the 2022-23 financial year.

The Accounting Policies of the Council are updated annually to reflect any changes in IFRS, including changes in International Public Sector Accounting Standards (IPSAS), HM Treasury guidance, CIPFA guidance or any other change in statute, guidance or framework impacting on the Council’s accounts. The Accounting Policies of the Council, as far as possible, have been developed to ensure that the accounts of the Council are understandable, relevant, free from material error or misstatement, reliable and comparable.

Explanation of the Accounting Statements which follow

- Comprehensive Income and Expenditure Statement (CIES) – This shows the cost of providing services in accordance with generally accepted accounting practices.
- Balance Sheet (BS) – This shows the value of all assets and liabilities. Reserves are matched against net assets and liabilities.
- Cash Flow Statement (CFS) – This statement shows the changes in cash and cash equivalents of the Council.
- Movement in Reserves (MiRS) – This shows the movement on the different reserves held, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure) and 'unusable' reserves.
- Notes to the Accounts – Not a statement, however they provide supplementary information.

Performance

Local authorities may present their breakdown of services within the CIES based on how they are organised and funded. The Council therefore presents its CIES on the basis of how it reports its management accounts during the financial year, with eight operating and reporting segments, primarily based on Cabinet Member Portfolios. The Council has nine Cabinet Member Portfolios, structured into four departments. These portfolios are Adult Care, Children's Services and Safeguarding, Clean Growth and Regeneration, Corporate Services and Budget, Education, Health and Communities, Highways Assets and Transport, Infrastructure and Environment, and Strategic Leadership, Culture, Tourism and Climate Change. However, for operational and reporting purposes the Children's Services and Safeguarding and Education portfolios are combined.

Revenue Expenditure

Overall Council Expenditure

The Council set its net budget requirement for 2022-23 on 2 February 2022 and originally planned to spend £618.581m, with funding coming in the form of Government non-ring-fenced grants of £211.891m, Council Tax of £369.812m, business rates collected locally of £15.875m and the use of Earmarked Reserves of £21.003m.

In 2022-23 the Council has spent £675.690m, against a final net budget of £680.370m. The increase in net budget is because of additional general grant income of £37m, of which £13.477m relates to Homes for Ukraine Tariff Grant, £6.500m to Bus Services Improvement Plan Grant, £2.534m to additional Former Independent Living Fund Grant and £9.523m to Business Rates Relief Grant, and £2m more business rates income than expected, plus additional net transfers from Earmarked and General Reserves of £23m.

The table below summarises the Council's revenue outturn for 2022-23, compared to controllable budget, highlighting the Cabinet Member Portfolio net overspend and the Corporate net underspend. This results in an overall Council underspend of £4.680m for 2022-23. However, this is after substantial one-off support from the use of £54.789m of the Council's Earmarked Reserves.

	Final Net Budget £m	Actual £m	Outturn £m
Controllable:			
Adult Care	278.284	289.026	10.742
Children's Services and Safeguarding and Education	156.907	157.665	0.758
Clean Growth and Regeneration	1.654	1.378	(0.276)
Corporate Services and Budget	61.149	62.825	1.676
Health and Communities	16.935	15.789	(1.146)
Highways Assets and Transport	41.937	46.057	4.120
Infrastructure and Environment	47.249	47.152	(0.097)
Strategic Leadership, Culture, Tourism and Climate Change	14.684	13.958	(0.726)
Portfolio Outturn	**618.799**	**633.850**	**15.051**
Risk Management	17.156	0.000	(17.156)
Debt Charges	39.815	40.311	0.496
Interest and Dividends Receivable	(4.203)	(7.676)	(3.473)
Levies and Precepts	0.363	0.363	0.000
Corporate Adjustments	8.440	8.842	0.402
Total Outturn Position	**680.370**	**675.690**	**(4.680)**
Transfers to / from reserves:			
RCCO - Capital Funded from Revenue	0.073	0.073	0.000
Transfer to Earmarked Reserves	126.327	126.327	0.000
Transfer from Earmarked Reserves	(137.289)	(137.289)	0.000
Use of General Reserves	(46.258)	(46.258)	0.000
Contribution into General Reserve	13.789	18.469	4.680
	637.012	**637.012**	**0.000**
Financed By:			
Council Tax	(369.812)	(369.812)	0.000
Revenue Support Grant	(14.249)	(14.249)	0.000
Business Rates	(18.264)	(18.264)	0.000
Business Rates Top-up	(94.892)	(94.892)	0.000
Business Rates Relief Grant	(18.797)	(18.797)	0.000
New Homes Bonus	(1.868)	(1.868)	0.000
Other General Revenue Grants	(108.626)	(108.626)	0.000
PFI Grant	(10.504)	(10.504)	0.000
	(637.012)	**(637.012)**	**0.000**

Spending on schools is funded by the Dedicated Schools Grant (DSG). The Council received £385.389m in 2022-23. Note 36 sets out the DSG grant in more detail. The Council also has responsibility for Public Health funding. A total of £44.616m was received in 2022-23, in the form of ring-fenced grants from Government, comprising the main Public Health Grant of £43.803m and other grants of £0.813m, to pay for Public Health services. There was an overspend against the balance of the grants of £0.324m. The outturn table shows the positions net of the impact of these grants, other ring-fenced grants and income from other third parties and their associated spend.

Significant drawdowns from Earmarked reserves, which underpin the Council's 2022-23 outturn position, amount to £54.789m. Of these Earmarked reserves drawdowns, £21.003m were for planned service pressures identified in the Revenue Budget 2022-23 and a further £33.786m were in response to emerging issues in the year.

The emerging issues that required reserve drawdowns in 2022-23 were £11.782m relating to 2021-22 and 2022-23 pay award shortfalls from Corporate Budget Management reserves, £8.773m for other identified inflationary pressures from an Inflation Risks reserve, £11.852m of drawdowns from departmental reserves supporting portfolio outturn positions and £1.379m for Covid-19 costs from Corporate Covid-19 reserves. The unfunded pay offers, demand pressures and inflationary costs are ongoing cost pressures, and they have been addressed as part of the budget setting process for 2023-24.

Portfolio Expenditure

Of the £15.051m portfolio overspend in 2022-23, the significant variances after use of Earmarked Reserves were an overspend of £10.742m on the Adult Care portfolio; a £4.120m overspend on the Highways Assets and Transport portfolio; a £1.676m overspend on the Corporate Services and Budget portfolio; a £1.146m underspend on the Health and Communities portfolio and a £0.097m underspend on the Infrastructure and Environment portfolio.

An increase in the loss allowance for doubtful debts of £3.865m contributed to the portfolio overspend. The main contributors to this movement were an update to the scaling factor to reflect deteriorating economic conditions (£1.721m), an increase in the allowance for specific debts which are considered doubtful (£1.575m), an increase in the Adult Care portfolio's trade debtors which are more than 30 days old (£0.390m) and a decrease in the expected rate of recovery (£0.304m). The method used to calculate the allowance has to comply with accounting standard IFRS 9 Financial Instruments.

The £10.742m overspend on the Adult Care portfolio relates to Purchased Services costs. There has been an increase in demand in relation to hospital discharges and because there is an insufficient supply of home care and reablement services, this has driven increased placements into residential homes rather than into care at home. As a result, expenditure on independent sector placements has increased. The outturn is after £2.582m of support from the Inflation Risks Earmarked reserve for inflationary pressures in respect of Direct Care utilities and catering supplies, transport and fuel payments, Home Care fuel payments and Private, Voluntary and Independent sector contract payments. Furthermore, it is after the use of £3.337m of departmental Earmarked reserves and a £5.000m contribution from the Contain Outbreak Management Fund towards the costs of hospital discharges.

The £4.120m overspend on the Highways Assets and Transport portfolio mainly relates to costs arising from an increase in contractor spend and an increase in the workforce assigned to routine highways maintenance, unachieved savings from previous years, salary capitalisation targets which proved unachievable and winter maintenance costs which were more than budgeted. The outturn is after £0.486m of support from the Inflation Risks Earmarked reserve and after the use of £6.353m of departmental Earmarked reserves, including the Winter Maintenance reserve.

The £1.676m overspend on the Corporate Services and Budget portfolio has mainly arisen in the Corporate Property division, primarily because of delays in achieving previously allocated savings. There is underachievement of the Industrial Development income target, which is based on full occupancy. Full occupancy cannot be achieved as vacancies occur during the turnover of lettings, and some units are offered at rents below market rates for occupying charities. There is a further cost pressure related to incurring running costs on buildings that are awaiting disposal or repurpose. The outturn is after the use of £1.144m of support from the Inflation Risks Earmarked reserve for inflationary pressures in respect of buildings maintenance, the cleaning and caretaking contract and gas and electricity utilities costs.

The £0.097m underspend on the Infrastructure and Environment portfolio has arisen after £2.158m of support from the Inflation Risks Earmarked reserve and after the use of £1.777m of departmental Earmarked reserves. The underlying overspend was mainly due to unachieved savings from previous years and inflationary pressures affecting waste disposal contracts, although these were somewhat offset by an estimated 6% decrease in tonnages.

The £1.146m underspend on the Health and Communities portfolio has resulted from costs which would ordinarily have been funded from the Prevention budget being met from alternative sources, such as the Household Support Fund and Public Health Grant supporting Covid-19 responsibilities, and a temporary increase in registration income from a higher number of events resulting from the backlog which arose during the period of Covid-19 restrictions.

The overspends on the Adult Care, Children's Services and Safeguarding and Education, Corporate Services and Budget and Highways Assets and Transport portfolios have been funded from the Council's General Reserve in 2022-23.

Corporate Expenditure

There has been an underspend of £19.731m on corporate budgets in 2022-23.

There is a £17.156m underspend on the Risk Management budget in 2022-23. This underspend includes a £4.791m adjustment for Business Rates income. Business Rates income in 2021-22 was significantly reduced because of the impact of Covid-19 and the extent of recovery was uncertain at the time the Revenue Budget 2022-23 was set, with amounts finalised after. The underspend also includes a £3.540m favourable adjustment to the estimate of income arising from Business Rates Pool gains. Furthermore, an additional £5.717m of non-ringfenced grants were announced after the 2022-23 Revenue Budget was set. Service pressure funding of £1.417m has been returned by a portfolio following receipt of some of this grant income. Finally, £1.691m of unutilised contingency funding also contributes to the position.

There is a 2022-23 overspend of £0.496m on the Debt Charges budget, which reflects recent hikes in interest rates, as well as higher charges providing for the repayment of debt principal, resulting from the Council's strategy of funding new capital expenditure from borrowing instead of Revenue Contributions.

There is a favourable variance on the Interest and Dividends budget of £3.473m in 2022-23. The Council utilises a range of investments to maximise its income on cash balances. As interest rates have risen, forecast income from short-term lending has increased, but this is somewhat offset by an increase in the interest the Council pays to meet its temporary borrowing needs. Interest income includes interest accrued on the loan advances to Buxton Crescent Ltd.

An overspend of £0.402m on Corporate Adjustments reflects the presentation of reserve movements attributable to the ring-fenced Dedicated Schools Grant, a deficit relating to the Property Direct Service Organisation within the Corporate Services and Budget portfolio, phasing of project expenditure within the Highways Assets and Transport portfolio and a saving arising from the Council paying its employer pension contributions in advance.

Council Reserves and Commitments

The General Reserve balance has decreased by £27.789m from 31 March 2022, to £32.716m at 31 March 2023. Commitments of £4.680m against this balance are proposed in the Council's Performance Monitoring and Revenue Outturn 2022-23 Report and are detailed below. Further commitments against this balance are referred to in the Council's 2023-24 Revenue Budget Report. The delivery of the Council's Five Year Financial Plan (FYFP) is heavily dependent on an adequate level of General Reserve. The need to maintain an adequate, risk assessed level of reserves has been a key part of the Council's success in both maintaining its financial standing and continuing to deliver high quality services. The balance will be further reduced by the measures required to deliver the Council's FYFP. The adequacy of the Council's General Reserve balance is considered later in the Narrative Report.

At 31 March 2023, there were £1.140m of portfolio ring-fenced commitments. In addition to the ring-fenced commitments, the Council's Performance Monitoring and Revenue Outturn 2022-23 Report proposes to approve contributions to Earmarked Reserves of £8.298m from the underspends on several specific grants, to fund future expenditure consistent with the purpose of each respective grant. A contribution to an Earmarked Reserve of £0.946m, from an unspent service pressure, is also proposed, to fund expenditure associated with the purchase, conversion and refurbishment of Childrens Homes.

In recognition of the significant support that portfolios have received from Corporate reserves, portfolio underspends have not been allocated to departmental Earmarked reserves for 2022-23, beyond the ring-fenced commitments and contributions referred to above. Any decisions on the use of departmental Earmarked reserves containing underspends will continue to be subject to appropriate approvals by the appropriate Cabinet Member.

Reviews of Earmarked Reserves will continue, and any available balances will be returned to the General Reserve, and, if appropriate, reallocated to other Earmarked Reserves. This enables the Council to refocus the balances it is holding, based on its latest assessment of the most significant and immediate financial risks. The Council's Performance Monitoring and Revenue Outturn 2022-23 Report proposes to release a total sum of £12.384m from the Council's existing Earmarked Reserves, comprising £3.750m from the Business Development and Economic Recovery Earmarked Reserve, £1.000m from the Business Rates Pool Earmarked Reserve, £6.407m from the Covid Emergency Grant Earmarked Reserve and £1.227m from the Inflation Risks Earmarked Reserve. In order to maintain an adequate balance on the Budget Management Earmarked reserve, which is required for the Council to balance its budget and manage cross-cutting budget pressures which may arise in 2023-24, it is then proposed to allocate this £12.384m, along with £3.540m retained from the overall Council underspend, to the Budget Management Earmarked Reserve, to assist the Council in meeting revenue budget pressures over the period of the FYFP.

The Comprehensive Income and Expenditure Statement shows a deficit on provision of services of £164.212m. This is different to the outturn position shown above as it includes both cash transactions and non-cash items, such as depreciation. Loss on disposal of non-current assets, which includes asset values in respect of five schools converting to academies during the year, comprises £53.131m of the deficit.

Cost of Living Support

The Council has responded to the impact of the rising cost of living being experienced by Derbyshire residents.

In April 2022, and again in October 2022, the Council was awarded a Household Support Fund grant by Government, to support local households facing financial hardship in relation to rising food, energy and essential living costs. The Council took a blended approach to distributing the grant, working cross-Council, with District and Borough council partners and the voluntary sector, to help ensure the funding reached those who needed it most. By 31 March 2023, the Council and partners had successfully distributed a total of £10.808m Household Support Grant funding to households in need, despite the short timescale available for both planning and delivery over each six month period.

During 2022-23, £2.439m of the grant was distributed via one-off grocery vouchers to those eligible for benefit-related free school meals, care leavers and children in receipt of additional early years childcare funding because of a low household income. A further £3.722m was distributed to pensioners and Adult Social Care clients in low income households, and District and Borough councils used £1.800m of the grant to address homelessness prevention, welfare and other associated emergency housing needs locally. Cash grants were awarded to low-income families and care leavers by children's professionals, and unpaid carers and vulnerable pensioners were supported to access crisis help by partner agencies. £2.137m of the additional grant funding allowed the Council to respond to increased demand on the Derbyshire Discretionary Fund (DDF). The DDF made 32,756 Emergency Cash Payment awards to residents to help with food and heating during the year and supported an additional 658 households with Exceptional Pressure Grants (for instance, for re-settlement when facing domestic abuse, or to ease exceptional pressure on a family).

The Council's communications team gave significant profile to the range of cost of living support available to residents both locally and nationally. This included promoting in-house Welfare Rights Service support to pensioner households to assess their possible entitlement to Pension Credit and other social security benefits. This work has already delivered £1.200m of additional benefit income for residents, with an additional £1.800m worth of applications still under consideration by the Department for Work and Pensions.

Homes for Ukraine Response

Following the invasion of Ukraine in February 2022, the UK Government implemented the Homes for Ukraine (H4U) scheme to provide homes for families fleeing the conflict.

To date, just over 1,300 H4U guests have arrived in Derbyshire – the highest guest population in the region and one of the highest, per head of population, in the UK. Under H4U, local authorities receive core funding of £10,500 to support each guest, dropping to £5,900 for guests arriving in 2023-24. In addition, funding is also received to provide monthly thank-you payments to host households. To date the Council has received £12.653m of core funding and a further £0.744m for the provision of thank-you payments.

The H4U funding has allowed the Council to set up the infrastructure to deliver the scheme, including the processing of DBS (Disclosure and Barring Service) checks, environmental inspections of host properties, safeguarding screening, the delivery of safe and well checks and rematching, where host placements have broken down. Emergency payments of £0.171m have been made to guests to support them when they initially arrive and payments of £2.472m have been made to support hosts, which includes additional cost of living funding to support them with increased expenses over the winter months. District and Borough councils have used £1.356m of the grant to address homelessness prevention. On-going priorities of the scheme are to respond to longer-term support needs such as independent accommodation and employment.

Capital Expenditure

In 2022-23 the Council's capital expenditure decreased by £13.291m compared to the previous year. The Council had planned to spend £164.590m, as set out in the Council's Estimate of Capital Expenditure in the Council's Capital Strategy reported to full Council. However, due to slippage on various schemes, along with some major projects completing in previous years and new projects still at the feasibility stage, actual expenditure was less much less than expected and less than the previous year.

	2021-22 £m	2022-23 £m
Capital Expenditure	**113.599**	**100.308**
Funded by:		
Grants and Contributions	52.641	54.273
Loans	57.423	44.414
Revenue Contributions	0.363	0.073
Capital Receipts	3.172	1.548
Total	**113.599**	**100.308**

Previously, the Council funded some capital projects using revenue contributions but due to service pressures on revenue funds, and to enable the Council to provide flexibility in managing its budget savings, the Council has changed its approach regarding allocating funding to capital projects. To replace the revenue contributions no longer being used, the Council has had to use other methods of funding, namely internal borrowing/short-term borrowing and available capital receipts.

D2N2 LEP

The Council is the Accountable Body for the D2N2 LEP. LEPs are locally owned partnerships between local authorities and businesses. LEPs play a central role in deciding local economic priorities and undertaking activities to drive economic growth and create jobs. Using the freedom and flexibilities given to LEP Accountable Bodies, the Council utilised Local Growth Fund underspends during 2017-18 and 2018-19 to fund its own capital programme. In 2019-20 the Council repaid the Local Growth Fund balance of £28.972m used in this way. Under the same freedom and flexibilities, in 2020-21, the Council utilised Getting Building Fund underspends of £16.241m to fund its capital programme. In 2022-23 the Council repaid the remaining £0.253m (2021-22: £15.988m) of this funding to the LEP. This has impacted on the Council's capital financing in 2020-21 to 2022-23, increasing the grant funding of capital expenditure and reducing borrowing in 2020-21, and conversely, in 2022-23, the repayment has reduced grant funding by £0.253m (2021-22: reduced grant funding by £15.988m) and increased borrowing by the same amount.

Assets and Liabilities

The value of Property, Plant and Equipment Assets (PPE) has increased by £187.536m, partly due to the Council's Depreciated Replacement Cost (DRC) assets being rebased in 2022-23, in line with the Council's valuation policy, using BCIS (Building Cost Information Service) rates to update build costs. This rebase, along with an increase in the indices used to revalue assets, which are carried at current value, has contributed to the increase.

Current and Non-Current Investments have decreased by £26.111m and Cash and Cash Equivalents have increased by £23.659m from the previous year.

Current and Non-Current Debtors have increased by £5.688m.

Creditors and Current and Non-Current Provisions have decreased by £28.994m.

Current and Non-Current Borrowing have increased by £78.958m. The Council has not entered into any long-term debt since September 2010. The Council has one Lender Option Borrower Option (LOBO) loan, with a nominal value of £5.000m, remaining.

There has been an improvement of £841.206m in the Council's pensions' position, from a total net pensions liability of £811.883m at 31 March 2022, to a total net pensions asset of £29.323m at 31 March 2023, mainly because of gains arising from changes to the financial assumptions used to measure LGPS scheme liabilities in the actuarial valuation as at 31 March 2022. This has contributed to an increase in the Council's Unusable Reserves.

Cashflow

The Council's cashflow in 2022-23 highlights a large increase in payments related to the provision of services, which is reflective of significant price and wage inflation experienced throughout the economy. An increasing reliance by the Council on utilising reserves to meet shortfalls in funding for operating costs is reflected in the trend for the Council to raise cash to maintain adequate working capital by redeeming investments and increasing short term borrowing.

A cash inflow from Operating Activities of £51.048m in 2021-22 changed to a cash outflow of £48.207m in 2022-23; a movement of £99.255m. There were increases in Other Operating Payments (non-employee) of £89.591m and Payments to and on behalf of employees of £29.881m and a reduction in Other Income (non-grant) of £25.809m. These increases in net cash outflows were partly offset by an increase of £20.990m in Council Tax. Cash inflows from Business Rates, Revenue Grants and Other income reduced by £1.637m in total. Interest payments increased by £0.386m and Interest and Dividends Received increased by £1.249m in 2022-23.

The net cash outflow from Investing Activities reduced by £119.607m in 2022-23. The net payment for the purchase of investments of £61.403m in 2021-22 changed to a net redemption of investments of £17.998m in 2022-23; a £79.401m movement. Capital Grants received increased by £32.803m and payments for the Purchase of Non-Current Assets decreased by £13.167m. These decreases in net cash outflows were partly offset by a decrease of £4.276m in Proceeds from the Sale of Non-Current Assets.

The cash inflow from financing activities increased by £28.736m in 2022-23, as the net inflow from new short-term loans increased by £24.180m and in addition there was a net receipt in 2022-23 of £4.782m on behalf on the Shadow Combined County Authority.

Council Funding

For 2022-23, the Government set out public spending allocations for one year only, with an average increase of 3% in core spending power (assuming the maximum Council Tax increase allowed without a referendum) including £1.6bn of new grant funding, mainly for social care. For 2023-24 the Government again set out public spending allocations for one year only, with an average 9.4% increase in core spending power, and a further £1.5bn increase in the Social Care Grant for adult and children's social care services. For key grants there were some indicative indications of total funding for 2024-25. There is a risk that the Government's investment in the recent Covid-19 pandemic and in increasing social care funding in recent years may result in further austerity measures in future years, which could be as soon as 2025-26, when savings will be required to repay the debt incurred by Government. The Council's FYFP assumes a £20m reduction in the Council's Social Care Grant from 2025-26.

In 2022-23, the Council increased Council Tax by 3%, which is lower than the full 5% allowed by Government, and as low as the Council could make it whilst recognising the pressures on adult social care, children's services and a host of other vital council services. This 3% increase comprises the ASC Precept levied at 1% and an increase in basic Council Tax of 2%. For 2023-24, the Council increased Council Tax by 3.75% (an ASC Precept increase of 1.25% and a basic Council Tax increase of 2.50%), which is lower than the maximum 4.99% allowed without holding a referendum.

The 2023-24 Council Tax increase of 3.75% strikes a balance between the Council's need for additional funding to meet increasing service pressures, whilst giving due consideration to the inflationary pressures faced by Derbyshire residents. A 3% Council Tax increase is forecast in the Council's FYFP in 2024-25, then 2% in each subsequent year from 2025-26 to 2027-28. The Council will always attempt to keep Council Tax rises as low as possible. However, pressures will continue to emerge over the medium term, in particular additional costs around pay, and inflationary pressures, have been largely absent over the last ten years or so prior to 2022-23. The need to manage these, and other pressures, will be challenging and as a result future Council Tax increases cannot be easily forecast with a high degree of certainty, and it is possible that predictions expressed in the FYFP will prove inadequate and may need to be revised upwards.

Better Care Fund (BCF) allocations and additional allocations of improved BCF will also continue to contribute to supporting Adult Care services.

In the event that more schools convert to academy status, there will be a loss of funding through the Dedicated Schools Grant matched by a reduction in expenditure on schools, however it could result in a potential loss of income from services the Council trades with schools.

Borrowing

Given the continued uncertainty of future local government funding, the Council's borrowing strategy continues to address the key issue of affordability, without compromising the longer-term stability of the debt portfolio. The Council has an increasing Capital Financing Requirement (CFR), as a result of its Capital Programme. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing. The Council considers that with short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use these internal resources, where available, or to borrow short-term loans instead. By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. However, because of changing interest rates, this is much less advantageous than it was in 2021-22.

Usable reserves and working capital are the underlying internal resources available as cash for investment, or to fund this capital expenditure. As a result of the Council using its cash balances for internal borrowing, and also using its cash-backed available reserves to support the Revenue Budget in recent years, the Council's cash balances have been decreasing, and are forecast to further decrease.

Whilst ever internal borrowing is possible, the benefits of continuing to do so, along with short-term borrowing, will be monitored regularly, against the potential for incurring additional costs by deferring borrowing into future years, when long-term borrowing rates are forecast to continue to rise for a further period. The Council will monitor this ‘cost of carry’ and breakeven analysis, although as explained above, there is the additional possibility that cash reserves will run low in the next twelve months and the Council will have to consider additional borrowing. Borrowing at long-term fixed rates would cause additional cost in the short-term but could keep future interest rates low if interest rates are forecast to continue to rise.

The Council has previously raised the majority of its long-term borrowing from the Public Works Loan Board (PWLB) but will consider long term loans from other sources including banks, pensions and local authorities, and will investigate the possibility of issuing bonds and similar instruments, in order to lower interest costs and reduce over-reliance on one source of funding, in line with the CIPFA Treasury Management Code. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield; the Council intends to avoid this activity in order to retain its access to HM Treasury’s PWLB lending facility.

Alternatively, the Council may arrange forward starting loans during 2023-24, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period. In addition, the Council may borrow further short-term loans to cover unplanned cash flow shortages.

Provisions and Contingencies

Movements in provisions and contingencies are disclosed in the Notes to the Accounts. There have been no material changes to policy or to amounts during the year.

Reserves

The Council’s Usable Reserves, which include General and Earmarked Revenue Reserves, have decreased by £12.281m, to £399.956m.

The General Reserve balance has decreased by £27.789m from 31 March 2022, to £32.716m at 31 March 2023. The majority of chief financial officers consider an acceptable level of generally available reserves to be one that reflects a risk-based approach to potential liabilities. A relatively crude measure is to expect a prudent level of risk-based reserves to be between 3% to 5% of a council’s net spending. As at 31 March 2023, after commitments of £4.680m set out earlier in the Narrative Report, the figure for the Council stood at 4%, indicating a suitable balance. However, it is necessary to consider this indicator over the medium term to gain a better understanding of its adequacy.

During 2022-23, the Earmarked Reserves balance has decreased by £10.962m, to £272.373m. Earmarked Reserves are held for specific purposes and are regularly reviewed by Cabinet as part of the budget monitoring cycle. A more detailed analysis is available in Note 27 to the Accounts.

The Unapplied Capital Grants Reserve has increased by £23.729m, to £82.411m at 31 March 2023. This reserve holds the grants and contributions received towards capital projects, but which have yet to be applied to meet capital expenditure. As referred to in respect of the profile of the Council's Capital Expenditure in 2022-23 above, using the freedom and flexibilities given to LEP Accountable Bodies, in 2020-21 the Council utilised Getting Building Fund underspends of £16.241m to fund its capital programme. In 2022-23 the Council repaid the remaining £0.253m (2021-22: £15.988m) of this funding to the LEP. The majority of the increase in the Unapplied Capital Grants Reserve in 2022-23 is due to grants being received but not yet allocated to projects.

The Capital Receipts Reserve has increased by £2.741m, to £12.456m at 31 March 2023. This is money set aside to meet capital expenditure and has been used mainly to fund Markham Vale, Breadsall Pupil Referral Unit (PRU) and Primary School, Chesterfield Staveley Regeneration Route and the A6 Fairfield/Hogshaw Roundabout. The reserve has increased in 2022-23, primarily due to sales of assets surplus to the Council's requirements, such as the former High Peak Area Social Services Office, Evergreen Family Centre, Hatton Community Centre, Land at Upper Mantle Close, Clay Cross, and various shops at Ashbourne.

After adjusting for non-cash items, the Council's General and Earmarked Reserves remain at robust, risk assessed levels. These levels are key to the delivery of the Council's objectives over the medium term as a means of helping to manage significant potential liabilities and the general reduction in resources. All such risks are regularly reviewed and appear alongside mitigating actions, on the Council's Strategic and Departmental Risk Registers. The Council formally reviews its reserves at least annually, as set out in the Council's Reserves Policy. The last review was reported to Council in February 2023.

Pensions

Liability

Under International Accounting Standard 19 (IAS19), the Council is required to show the total future costs of pension liabilities for the Local Government Pension Scheme. This is a notional figure, as the Council's budget is constructed on the basis of actual contributions payable.

The IAS19 notional cost of the LGPS scheme for 2022-23 is £148.981m and for Teachers Pensions is £1.367m. The actual contributions made for the year were £60.552m and £4.052m respectively, resulting in a net adjustment to the revenue position of £85.744m. In addition, there were actuarial gains on both schemes, amounting to £921.038m and £5.912m respectively. Overall, this has resulted in an improvement of £841.206m in the Council's position, from a total net pensions liability of £811.883m at 31 March 2022, to a total net pensions asset of £29.323m at 31 March 2023. In accordance with Accounting

Standards, the net asset value at 31 March 2023 has been restricted to limit the surplus recognised in the Council's Balance Sheet.

There were gains arising from changes to the demographic and financial assumptions used to measure LGPS scheme liabilities in the actuarial valuation as at 31 March 2022, in addition to the return on LGPS scheme assets in 2022-23.

The overall net pensions position is offset by a matching notional reserve, ensuring there is no impact on the level of Council Tax. The credit balance on the pensions reserve shows a small surplus between the benefits earned by past and current employees and the resources that the Council has set aside to meet them. The Funding Strategy adopted by the Pension Fund will ensure that an appropriate level of funding will have been set aside by the time the benefits come to be paid.

Events After the Balance Sheet Date

There were no significant events between the balance sheet date and the approval of these financial statements which would require disclosure or adjustment of the statements.

Organisation and Governance

The Council is composed of 64 Elected Members who are democratically accountable to the residents of their electoral division. Members follow a Code of Conduct, to ensure high standards in the way they undertake their duties. The Cabinet consists of the Leader of the Council and eight Members. The Cabinet is responsible for guiding the Council in the formulation of the corporate plan of objectives and key priorities, which is referred to in more detail, under Strategy and Resource Allocation, below. Within the policy framework, budgets and major plans are approved by the full Council and the Cabinet has executive responsibility for the implementation of the Council's key goals and objectives.

The Governance, Ethics and Standards Committee promotes and maintains high standards, assists Members in observing the Code of Conduct and advises the Council on matters related to the Code of Conduct. The Council also operated five Improvement and Scrutiny Committees during 2022-23, which support the work of the Cabinet and the Council as a whole.

All Members meet together as the Council. Meetings are generally open for the public to attend, except where confidential matters are being discussed.

More information on the Council's Governance Framework is included in the Council's Annual Governance Statement, which is included at the end of these accounts.

Combined Authority

The Levelling Up White Paper was published in February 2022. The paper sets out how Government will spread opportunity more equally across the UK. Levelling up is a long-term endeavour. It is a programme of change that requires a fundamental shift in how central and local government, the private sector and civil society operate. The Government will embark on a process of sustained and systematic engagement and consultation with a wide range of stakeholders, including devolved administrations, on the White Paper. Further detail on a number of these policy commitments will be set out in future publications. In addition, legislation will be introduced to Parliament to underpin in statute the changes fundamental to levelling up, alongside wider planning measures.

The East Midlands Devolution Deal, which covers Derbyshire, Nottinghamshire, Derby and Nottingham, was signed in August 2022. The Council is one of the constituent councils which will form part of the East Midlands Combined County Authority. The East Midlands Combined County Authority is seeking a Level 3 deal with Government, which includes having an elected Mayor, expected in May 2024. A consultation on the devolution proposal ran from 14 November 2022 to 9 January 2023. Devolution will result in the East Midlands receiving £1.14 billion more funding over 30 years, to invest in the region and the establishment of an East Midlands Mayoral Combined County Authority, subject to the Levelling Up and Regeneration Bill receiving Royal Assent, formal approval by Government of the Councils' Proposal and the Councils' consent to the Statutory Instrument establishing the Combined County Authority. This should:

- Bring powers to improve transport, adults skills training, housing and the environment, and to encourage the creation of good quality jobs that give people a decent standard of living and a better quality of life.
- Enable more decisions about the East Midlands to be taken in the region. Devolution is a chance for the people who live in the region to have a much greater say over issues that affect them, including by directly electing the first regional mayor.
- Bring more opportunities for the East Midlands. Devolution will provide more tools to help the region recover from the Covid-19 pandemic and ensure that the region is well-placed for further devolution of funding and powers in future.

During 2022-23, the Council was selected as the Accountable Body for £18.000m of capital projects on behalf of the constituent councils which will form part of the East Midlands Combined County Authority region. Seven out of eight projects were approved by the Department for Levelling Up, Housing and Communities (DLUHC) in 2022-23 and £6.295m of funding was released. This income and expenditure is accounted and administered independently from the Council's accounts and therefore, does not form part of the main statements which appear later in this Statement of Accounts. This is in accordance with the principles set out in the Local Authority Accounting Code of Practice, where the Council is acting as an intermediary and is therefore following the agent principle as set out in Section 2.6.2.1 of the Code. More details are included in Note 34, Trust Funds and Other Funds.

Local Enterprise Partnership

D2N2 is the Local Enterprise Partnership (LEP) for Derby, Derbyshire, Nottingham and Nottinghamshire. It plays a central role in deciding local economic priorities and undertaking activities to drive economic growth and create local jobs. It is a locally owned partnership between the public and private sectors and in April 2019 became incorporated in line with new Government guidelines. It is managed by a Board made up of the constituent councils, including Derbyshire County Council and private sector representatives.

From April 2019 the Council became the single accountable body for all D2N2 LEP funds. As Accountable Body, the Council is responsible for overseeing the proper administration of financial affairs within the LEP with regard to public funds.

Over the six years up to 2020-21, the D2N2 LEP received over £250 million in Government funding, from the Local Growth Fund. Local Growth Fund grants were allocated to projects in the Derbyshire/Nottinghamshire region, following approval of successful grant bids by the Investment Board. A further £44 million was allocated in July 2020, from the Getting Building Fund. During 2021-22, Getting Building Fund grants have been allocated to three projects, after successful grant bids were received and approved by the Investment Board. During 2022-23, £0.253m of Getting Building Fund has been allocated to the remaining project, following a successful grant bid approved by the Investment Board. A further £3.428m was allocated from the Low Carbon Growth Fund, which has been created from the remaining balances of the Growing Places Fund.

In February 2022, the Government published its Levelling Up White Paper. The White Paper sets in motion some changes to the roles and functions of LEPs. For areas seeking a Devolution Deal, LEPs should integrate into the Combined Authority. The D2N2 LEP is currently working alongside the four upper tier authorities in the D2N2 area as part of the integration process.

The D2N2 LEP's income and expenditure is accounted and administered independently from the Council's accounts and therefore, does not form part of the main statements which appear later in this Statement of Accounts.

Vertas (Derbyshire) Limited, Concertus (Derbyshire) Limited and PSP (Derbyshire) LLP

Vertas (Derbyshire) Limited (VDL) and Concertus (Derbyshire) Limited (CDL) are private limited companies in which the Council has a 49% stake, with the aim of providing cleaning and caretaking services and property design and consultancy, respectively. VDL and CDL are run as Joint Venture companies with the other shareholders being part of Suffolk Group Holdings Limited, whose ultimate parent undertaking and controlling party is Suffolk County Council. During 2022-23, income of £0.073m was receivable from VDL (2021-22: £0.489m), of which £0.017m was outstanding at 31 March 2023 (31 March 2022: £0.077m). During 2022-23, CDL income receivable was £0.052m (2021-22: £0.052m), of which £0.013m was outstanding at 31 March 2023 (31 March 2022: £0.004m). During 2022-23, expenditure of £10.491m was payable to VDL and Vertas (Derbyshire) Traded Limited, its wholly owned subsidiary (2021-22: £7.600m), of which £0.002m was outstanding at 31 March 2023 (31 March 2022: £nil). During 2022-23, expenditure of £5.568m was payable to CDL and Concertus Derbyshire Traded Limited, its wholly owned subsidiary (2021-22: £3.322m); there were no outstanding balances at 31 March 2023 (31 March 2022: £nil).

PSP (Derbyshire) LLP (PSPD) is a limited liability partnership (LLP) formed between the Council and PSP Facilitating Limited (PSPF), under the provisions of the Limited Liability Partnership Act 2000. The purpose of PSPD is to help the Council unlock value from its land and property. There were no transactions with the company during 2022-23 (2021-22: £nil).

Strategy and Resource Allocation

The Council Plan 2022-23 set out the direction of the Council and the outcomes that the Council is seeking to achieve.

Outcomes

- **Resilient and thriving and green communities** which share responsibility for improving their areas and supporting each other.
- **Happy, safe and healthy people,** with solid networks of support, who feel in control of their personal circumstances and aspirations.
- **A strong, diverse and clean economy** which makes the most of Derbyshire's rich assets and provides meaningful opportunities for local people to achieve their full potential.
- **Great places to live, work and visit** with high performing schools, diverse cultural opportunities, transport connections that keep things moving, and a healthy and sustainable environment for all.
- **High quality public services** that work together alongside communities to deliver services that meet people's needs.

Performance Overview

The Council Plan 2022-23 identifies four focused priorities to direct effort and resource:

- Resilient, healthy and safe communities.
- High performing, value for money and resident focused services.
- Effective early help for individuals and communities.
- A prosperous and green Derbyshire.

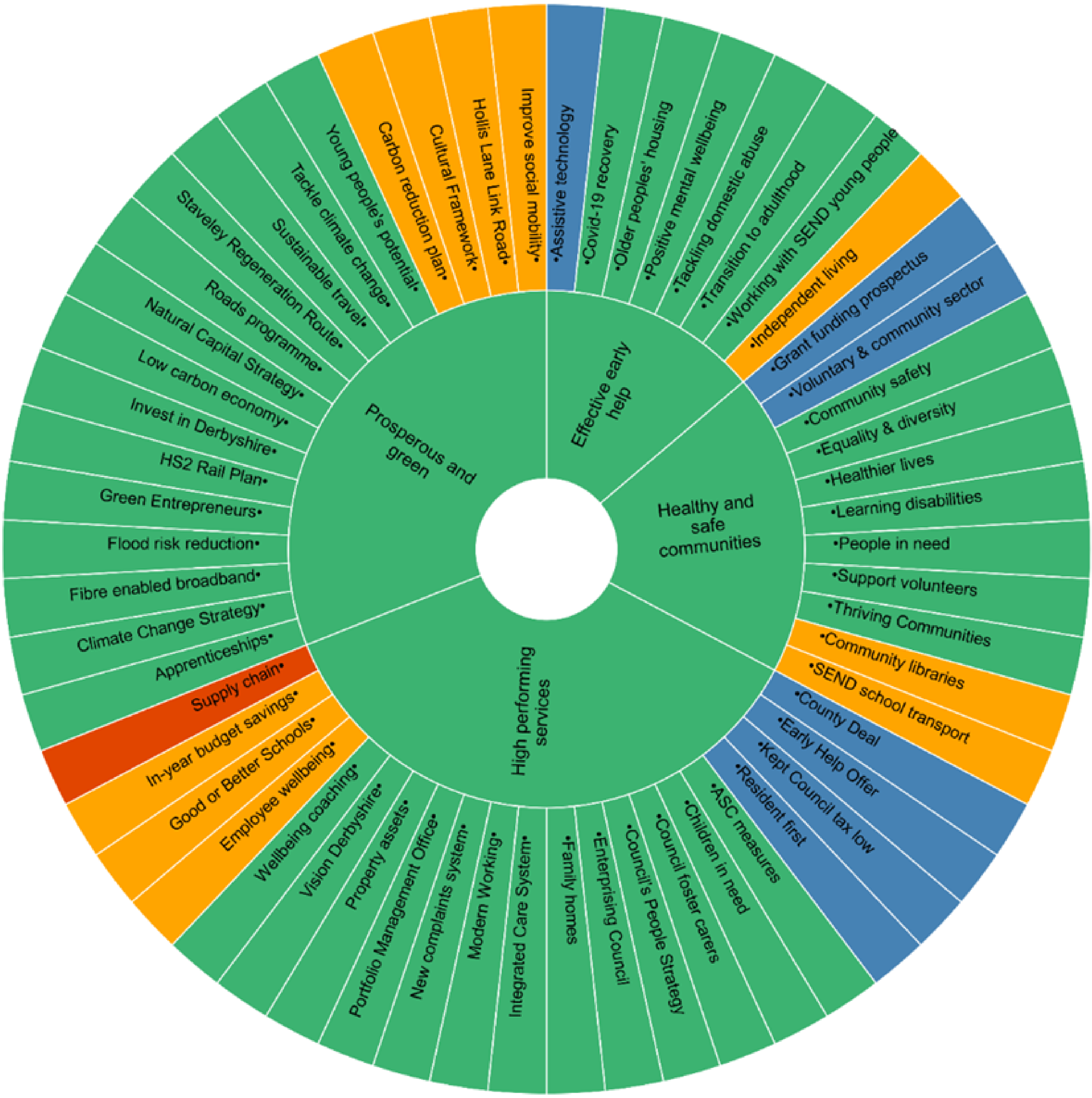
For each priority, “deliverables” are identified, setting out what the Council aims to achieve over the year, supported by key measures, which enable the Council to monitor the progress made.

To ensure effective monitoring, and to facilitate appropriate actions, performance is reported in context, with accompanying financial information, on a quarterly basis. The reports are delivered by portfolio, to individual Cabinet members, and combined, to Cabinet. Performance reports are made available publicly on the Council’s website following submission to Cabinet.

Deliverables

The following shows the overview of performance during 2022-23, as assessed at Quarter 3 (quarter ended 31 December 2022), with all of the priorities showing overall good performance. However, there were some specific deliverables where progress or outcomes were not as expected, with ten assessed as “Requiring Review” and just one as “Requiring Action”. Each of these deliverables were flagged in the report with details of the issued and the actions to be taken. The final year-end position will assess the effectiveness of these actions and any outstanding issues will be carried over to reporting during 2023-24.

A graphical representation of the Council’s performance for 2022-23 against its priorities (inner wheel) and deliverables (outer wheel) is below. The colours in each segment show the progress the Council has made during 2022-23.



Key

- Strong – performing strongly
- Good – performing well
- Review – will be kept under review to ensure performance is brought back on track
- Action – additional action will be/is being taken to bring performance back on track

Review of Performance

The Council successfully delivers a wide range of services throughout the year, with the following key achievements for 2023-23 identified as part of the ongoing planning process:

- Working with partners to secure a £1.14bn devolution deal for the East Midlands, covering Derbyshire, Nottinghamshire, Derby, and Nottingham, which will secure additional powers and functions from Government and guarantee income streams of £38m each year over the next 30 years.
- Delivering 350 road and footway maintenance projects, equating to £30m, including fixing over 100,000 potholes.
- Securing £47m to deliver a 3-year programme of improvements to local bus services.
- Supporting local people facing financial hardship due to the rising cost of living by providing warm, safe spaces in Council buildings, and delivering the Household Support and Discretionary Funds.
- Providing 70,000 holiday activity and food places to vulnerable children.
- Welcoming over 1,300 Ukrainian refugees into Derbyshire.
- Approving £0.9m of grants to help voluntary and community sector organisations to support their communities.
- Achieving a 64% reduction in greenhouse gas emissions from Council land and property from the Council's 2009-10 baseline, through activities such as rationalising the Council's land and building assets and reducing the number of journeys undertaken for Council business.
- Launching a Vision Derbyshire Climate Change Strategy and Natural Capital Strategy.
- Investing over £0.890m on green energy and carbon reduction schemes through the Council's Green Entrepreneurs Fund.
- Delivering high quality services, with latest inspection activity showing a sustained level of improvement across services for care leavers, youth justice and children in need of help and protection.
- Achieving the Council's target of 91% of children's homes being judged good or outstanding.
- Supporting more than 4,300 people to complete a Live Life Better Derbyshire Health and Wellbeing MOT.
- Ensuring over 1,400 people with a learning disability and/ or who are autistic have an outcome focused plan in place.
- Helping more than 13,650 people get home from hospital with support.

Outlook, Risks and Opportunities

Funding

In a fifth continuous single-year settlement the Local Government Finance Settlement for 2023-24 set out allocations for one year only. Single-year settlements constrict the flexibility of local authorities to balance budgets across the medium term. A multi-year settlement provides local authorities with some certainty, supporting medium-term financial planning and financial sustainability. The local government sector has implored Government for a multi-year settlement. The Council will continue to lobby Government by responding to appropriate consultations in support of both a fair funding and multi-year settlement for the Council.

The Council's FYFP is reviewed and updated at least annually. It was last updated during the annual budget setting process for 2023-24, earlier in 2023. A number of risks regarding the assumptions made in developing the FYFP were highlighted in the Revenue Budget Report, these being:

- **Achievement of Savings –** there is a reliance on the achievement of a programme of budget savings. Any delays in implementation result in departmental overspends under normal circumstances, which result in reserves being used to cover the shortfall. Various scenarios for reserves have been modelled and the pessimistic General Reserve forecast results in a balance which is just 1.8% of forecast FYFP spending in 2027-28. Other earmarked reserves available for budget management are also forecast to be depleted in 2024-25, in line with Government expectations for local authorities to reduce their reserves levels to maintain services in the face of immediate inflationary pressures. The General Reserve needs to be preserved across the medium term to maintain financial sustainability and to protect the ability to soft land budget cuts.
- **Service Pressures –** there is a commitment to support budget growth where necessary, and in particular within adult's and children's social care. However, if current trends continue regarding placements and NHS discharges, and there is inadequate funding to support this, there will be further pressures on budgets in later years. Analysis is underway to consider how to mitigate these demand pressures, which has the potential to help control some of these financial pressures, but they are unlikely to be effective in the short-term. Demographic growth continues to affect Adult Social Care costs. Predictions show that the Council will experience further annual growth, with significant additional annual costs estimated over the period of the FYFP.
- **Pay –** the FYFP assumes a 4% increase in 2023-24. Increases from 2024-25 onwards are assumed to be 2%, based on the current expectation that inflation may have peaked and will have begun to reduce by then. The Council would welcome further Government support for local authorities in the 2023-24 Settlement, or if that is not possible, in future settlements, to address the serious issue of increasing pay award pressures in a period of rising inflation. Additional funding would assist the Council in its recruitment and retention of staff, which is becoming increasingly difficult at this key time for local authorities, when services are competing with rising demand, as well as capacity issues across the sector.

- **Economic Climate –** the ongoing conflict in Ukraine has continued to put pressure on global inflation and the economic outlook for UK and world growth remains weak. UK political instability towards the end of the period increased uncertainty further. The economic backdrop has continued to be characterised by global high oil, gas and commodity prices, ongoing high inflation and its impact on consumers' cost of living, no imminent end in sight to the Russia-Ukraine hostilities and its associated impact on the supply chain, and China's zero-Covid policy, although this has recently ended. Annual headline UK CPI inflation reached 10.7% in November 2022. Rising inflation means there is the potential for reductions in the Council's income for discretionary services.
- **Spending Reviews –** The Local Government Finance Settlement provides provisional allocations for one year, although for key grants there are some indicative allocations of the quantum of funding for 2024-25 in the Autumn Statement and Finance Settlement. It is disappointing that the Finance Settlement has failed to announce a multi-year settlement, as it constricts the flexibility of local authorities to balance budgets across the medium term. The local government sector has implored Government for a multi-year settlement. Despite the signals, 2023-24 will be the fifth continuous single-year settlement. A multi-year settlement provides local authorities with some certainty, supporting medium-term financial and service planning, and financial sustainability. There is also a risk that the Government's investment in the recent Covid-19 pandemic and in increasing social care funding in recent years may result in further austerity measures in future years, which could be as soon as 2025-26, when savings will be required to repay the debt incurred by Government. The FYFP assumes a £20m reduction in the Council's Social Care Grant from 2025-26.
- **Fair Funding and Business Rates Reviews –** the reviews have been delayed for a number of years and the planned implementation was again postponed. The Government has now confirmed that the Fair Funding Review and the Business Rates reset will not be implemented in this Spending Review period, although the Government 'remains committed to improving the local government finance landscape in the next Parliament'. A transparent, fair funding system is required, which reflects need and ability to fund services locally. The FYFP is predicated on the basis that mainstream funding continues as it is now.
- **Public Health Grant** – at some point it is expected that the funding for Public Health will form part of revised funding mechanisms for local authorities following funding reviews.

Devolution – the Levelling Up White Paper was published in February 2022. The paper sets out how Government will spread opportunity more equally across the UK. Levelling up is a long-term endeavour. It is a programme of change that requires a fundamental shift in how central and local government, the private sector and civil society operate. Legislation will be introduced to Parliament to underpin in statute the changes fundamental to levelling up, alongside wider planning measures. The East Midlands devolution deal, which covers Derbyshire, Nottinghamshire, Derby and Nottingham, was signed in August 2022 and is referred to earlier in this Narrative Report.

Expenditure

Local authorities have risen to the challenge of austerity since 2010, albeit supported in recent years by the Improved Better Care Fund and Social Care Grant, and the Council has stepped up to that challenge with its Enterprising Council approach. The Council continues to review the way it delivers its services, ensuring residents receive value for money in the services which are provided to them.

By 2027-28, the Council needs to have reduced expenditure by at least a further £46m in real terms, of which measures amounting to £37m have been identified. This is in addition to £325m of budget savings the Council has already made to services since 2010.

There remains a £9m shortfall of identified annual budget savings against the £46m budget savings target over the five years of the FYFP. The Council has now identified measures which should help achieve 81% of the budget gap over the period of the FYFP, which is an improved relative position compared to that reported in the Revenue Budget Report 2022-23, when measures had been identified to meet 39% of the budget gap. This improved position has resulted from an increase in identified annual budget savings and from additional forecast funding, following Government announcements in the Autumn Statement and Provisional Settlement in respect of 2023-24 and 2024-25.

The Council is reviewing all of its savings initiatives and developing a programme of savings proposals to address the estimated funding gap over the medium term.

In many cases the proposals will be subject to consultation and equality analysis processes. Significant consultation and planning timeframes are required to achieve many of these savings. Delays in agreeing proposals could result in overspends by departments, which would then deplete the level of General Reserve held by the Council, decreasing its ability to meet short term, unforeseeable expenditure.

Progress against the budget savings targets will be closely monitored, however, lead-in times for consultation activity and increased demand on services, such as adult care and children in care demographics, mean that there is a continued risk of not achieving a balanced budget. Indeed, certain budget savings that were identified in the previous medium-term plan have since proved to be unachievable and others need to be found to substitute for them. Where savings have not been achieved in previous years and brought forward into the current financial year, mitigations and alternative savings delivery are being considered.

There is a planned use of General and Earmarked Reserves from 2022-23 to 2026-27 in order to achieve a balanced budget.

Increased Demand for Services

There continues to be an increased demand for services, leading to significant cost pressures in providing essential services such as social care and waste. The increasing importance of the identification of the nature and size of future budget pressures will require changes to the horizon scanning currently undertaken by departments, in order to reduce risks inherent in formulating and planning to meet pressures in the FYFP. The Council is working towards agreed methodologies for quantifying the cost implications of the areas of large and consistent budget pressures and ensuring these are adequately reflected in risk registers, alongside suitable mitigations, but there is still more work required in this area.

All other budgetary pressures will need to be contained within departmental budgets. As stated in the Revenue Budget Report 2021-22, where departments overspend from 2021-22 onwards, the Council's policy of ensuring that the departmental overspend is met from that department's budget in the following year will be expected after several years of meeting these costs corporately from the General Reserve.

The Council's significant budget pressures are considered further below:

Children's Social Care

As an upper tier authority, the Council is responsible for providing children's social care services. These services include child protection and safeguarding, care for looked after children and aftercare, support for vulnerable children and their families.

Nationally the number of children in care has risen significantly over the past decade creating unprecedented demand pressures on children's services. The national picture is being reflected in Derbyshire. As at 30 November 2022 there were 1,004 children in the care of the Council, a 32% increase on the number four years ago.

The costs of caring for looked after children have also been rising. Average placement costs for children in the Council's care have risen 40% over the last four years.

Residential care is the most expensive form of care. Locally and nationally, the proportion of children in residential care has increased, largely due to councils struggling to source suitable alternatives such as foster care.

These pressures, exacerbated by the impact of high inflation and cost of living increases on placement costs, are expected to continue to grow for the foreseeable future. The Council, along with many other local authorities in the country, continue to express concern regarding substantial increases in the cost of children's social care, urging Government to provide additional funding for the service.

Schools and Learning

Whilst expenditure on school-related activity would normally be expected to be met from within the allocated DSG, there are some school based pressures which could fall to the Council's General Reserve to fund.

The Council's accumulated DSG deficit was £5.050m at 31 March 2023. The DSG deficit will need to be recovered from future DSG income, although it has been announced that the statutory override for the accounting treatment of DSG positions will be extended for the next three years, from 2023-24 to 2025-26. The override had been due to expire at the end of March 2023. The main pressures for the Council, as with most local authorities, continues to be in respect of High Needs Block budgets. The December 2022 DSG announcement provides for an increase in High Needs funding of £11m (11%), however it is likely that further demand and inflation pressures may still result in spend exceeding income in 2023-24.

Deficit balances that exist at the point a school becomes an academy may be left with the Council to fund. This is the case for 'sponsored' academies. Sponsored academies are those where conversion is a result of intervention, or where the school is not considered to be strong enough without the aid of a sponsor.

There are some statutory duties relating to education which are funded from the Council's revenue funding. These include home to school transport (HST). Transport cost increases and growing numbers of pupils eligible for Council-funded transport have led to significant increases in spend on HST, in particular HST provided for children with special educational needs and disabilities (SEND). Net costs have risen by 48% in the last four years and this trend is expected to continue.

Adult Social Care

Demographic growth continues to affect Adult Social Care costs. Growth predictions show that the Council is subject to approximate annual increases of £3m in relation to older people demography, with a further £2m for children transitioning to adulthood. These additional costs of £5-6m each year are predicted to continue for at least the next five years.

Over the last few years, the NLW has increased annually by between 2% and 10%. For 2023-24, the increase is 9.7%. This directly impacts on the contract fees the Council pays to care providers. If this level of increase is to continue it will cost the Council up to an additional £23m each year for at least the next five years.

There are growing pressures around hospital discharge from the NHS, with an increase in demand, and because there is an insufficient supply of home care and reablement services, this has driven increased placements into residential homes rather than into care at home.

Waste Disposal

During 2022-23 work continued to determine the condition and capability of the Derby & Derbyshire Waste Treatment Centre (DDWTC) in Sinfin, culminating in February 2023 in both the Council and Derby City Council resolving to move forward with procuring a contractor(s) to rectify and then operate the DDWTC. Work is also ongoing to determine the estimated fair value (EFV) of the contract.

Contract prices for the transfer, haulage, and treatment/disposal of waste and recycling are subject to price rises in line with a basket of indexation factors set out in the contracts. There are also statutory increases of 3% in the cost per tonne of recycling credits.

Climate Change

Climate Change is an issue that carries a high risk of financial uncertainty over the long term and will require coordinated effort by all public bodies, especially the Government.

The Council's Climate Change Strategy: Achieving Net Zero (2021-2025) was approved and published by the Council in October 2021. Net zero means reducing the Council's carbon emissions right down to the lowest possible level and off-setting those that cannot be cut through measures such as planting more trees and other forms of habitat creation to absorb excess carbon from the atmosphere, making the overall net emissions zero.

This Strategy establishes the Council's target to be an organisation that has net zero carbon emissions by 2032 or sooner and help the rest of Derbyshire reduce carbon emissions generated within the county to net zero by 2050 or sooner. This is in line with national Government targets.

Opportunities

The Council's Strategic Approach

The Council's Strategic Approach governs how the Council works, with and for communities, and in collaboration with its partners. Three key areas of activity are taking the approach forward – Enterprising Council, Thriving Communities and Vision Derbyshire.

Together these key areas place the Council in a stronger position to understand, to adapt and to respond to future challenges and to bring about the changes needed to ensure future success.

Enterprising Council

The role and shape of public services has changed dramatically, and the Council faces significant challenges in providing the services local people want and need. The Council continues to examine modern and innovative ways of providing services with the current focus on developing a strategic approach to transformation, putting in place a Programme Management Office and taking forward its Modern Ways of Working programme. This builds on previous phases which looked at all types of delivery models, including sharing or trading services with other councils.

Being an Enterprising Council means:

- Value for money is at the heart of everything the Council does.
- The Council is efficient and effective.
- The Council focuses on getting the best results for Derbyshire's residents, whether by the Council delivering a service, or by using an external organisation – there is no one size fits all.
- The Council has a bold, innovative and commercial mind-set.
- The Council does things 'with' local people rather than 'to' them and values fairness, openness and partnership.
- The Council is proud of Derbyshire and ambitious for its public services.

In responding to the Covid-19 pandemic, the Council has demonstrated how it can do things differently, be more agile and flexible and work closely with its partners, businesses and communities.

Thriving Communities

During 2022-23, the Council successfully re-energised Thriving Communities activity in six communities. As Covid-19 restrictions were lifted, the Council worked to re-establish Connected Teams of Council Officers and other partner agency employees, working flexibly alongside communities and Elected Members. Throughout the year, staff, alongside community members, have provided and facilitated a range of hyper-local support for local people in their community. Examples of activity include refurbishment of groups and clubs; welcoming community spaces in Shirebrook; community clubs and a friendly community Drop-In to access local support and services in Cotmanhay and the networking of staff in Langley Mill and Ashbourne, to develop a better joint understanding of community needs and plan activity. In Gamesley, advocacy has been provided for people in challenging circumstances who would not normally receive support, for example due to their having no internet access, or because they are experiencing social exclusion. The local team has focused on helping people to cope with the stresses of financial hardship, by providing social activities along with food and energy initiatives.

The Council has noted the challenges of supporting and scaling this activity in the post-Covid environment of reduced public sector resource and fewer frontline staff based within communities. As such, work began during 2022 to progress a review of the Thriving Communities approach, as part of the Council's Strategic Framework, with the aim of developing a long-term strategy and identifying cross-departmental priorities for how the Council will work more collaboratively across its service areas to support people and communities to thrive in the future.

Vision Derbyshire

Vison Derbyshire has continued to drive the Council's approach to working in collaboration with partners and significant progress has been made in 2022-23 through the work, dedication and cooperative efforts of participating and non-participating councils in Derbyshire. The Vision Derbyshire Joint Committee successfully convened four times, with the Council supporting the Joint Committee by driving forward the Vision Derbyshire agenda and providing strategic support, programme management and associated activity to support the overall delivery of the approach over that period.

In the three years since work on Vision Derbyshire commenced, there have been a number of significant achievements, in particular work on the Vision Derbyshire Business Development Programme, the development of the Vision Derbyshire Climate Change Strategy and Planning Policy Guidance and the creation of the Vision Derbyshire Joint Committee. The work undertaken on Vision Derbyshire has also been a fundamental driver to progress devolution proposals. The subsequent East Midlands Devolution Deal, signed and published on 30 August 2022, is testament to the Vision Derbyshire approach.

A light touch review of current arrangements took place between November 2022 and January 2023, given the context around the emerging Devolution Deal and to ensure the Vision Derbyshire approach continues to evolve to meet new demands and maximise the benefits from the Deal as it moves into implementation. The Council is now considering the findings and recommendations of the Review and, alongside partners, will respond to the report and plan for work over 2023-24. Work to align with the recent review of the D2 Economic Prosperity Committee and associated partnerships will also be required to ensure that future structures are streamlined and fit for purpose.

In January 2023, it was agreed that the Council would now be best placed to undertake the role of Host Authority moving forward and work is underway to transfer responsibilities and resources from Chesterfield Borough Council.

Delivering Devolution and Levelling Up

The Council's aspirations for Derbyshire remain strong. Moving forward the Council will be working with partners to deliver devolution as one of the nine early County Deal pathfinder areas, ensuring the Council harnesses all the benefits that a devolution deal for Derbyshire could provide. This includes delivering the Levelling Up agenda across the county, to help boost economic performance and investment, and improve opportunities and outcomes for people and places. Working alongside partners, the Council aims to tackle inequalities and social mobility, to ensure support and opportunities are available to all, building a fairer, more inclusive future for the county.

Mark Kenyon BA(Hons) FCPFA
Director of Finance & ICT (Section 151 Officer)

STATEMENT OF RESPONSIBILITIES

The Council's Responsibilities
The Council is required to:

- make arrangements for the proper administration of its financial affairs and to ensure that one of its Officers has the responsibility for the administration of those affairs. In this Council, that Officer is the Director of Finance & ICT, as Section 151 Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Section 151 Officer's Responsibilities
The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts, in accordance with the appropriate CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code). In preparing this Statement of Accounts, the Section 151 Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgments and estimates that were reasonable and prudent;
- complied with the Code and the Regulations;
- kept proper accounting records which were up-to-date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;
- ensured that events after the balance sheet date have been considered;
- assessed the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- used the going concern basis of accounting on the assumption that the functions of the Council will continue in operational existence for the foreseeable future; and
- maintained such internal control as determined necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUTHORISATION OF ACCOUNTS FOR ISSUE

Certificate of Section 151 Officer
I certify that the accounts give a true and fair view of the financial position of the Council at 31 March 2023 and of its income and expenditure for the year then ended.

Mark Kenyon BA(Hons) FCPFA
Director of Finance & ICT (Section 151 Officer)

10 July 2023

The Statement of Accounts will be approved by the Audit Committee following audit.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

		Note	2021-22 Gross Exp £m	2021-22 Gross Inc £m	2021-22 Net Exp £m	2022-23 Gross Exp £m	2022-23 Gross Inc £m	2022-23 Net Exp £m
A	Adult Care		492.836	(168.304)	324.532	493.448	(153.976)	339.472
B	Children's Services and Safeguarding and Education		690.327	(457.847)	232.480	746.695	(491.514)	255.181
C	Clean Growth and Regeneration		3.911	(1.066)	2.845	4.523	(3.429)	1.094
D	Corporate Services and Budget		51.898	(24.508)	27.390	48.925	(24.966)	23.959
E	Health and Communities		69.614	(57.303)	12.311	77.278	(58.357)	18.921
F	Highways Assets and Transport		76.401	(17.366)	59.035	74.305	(17.434)	56.871
G	Infrastructure and Environment		56.842	(9.836)	47.006	79.709	(7.950)	71.759
H	Strategic Leadership, Culture, Tourism and Climate Change		13.838	(0.981)	12.857	14.913	(0.826)	14.087
A-H	**Net Cost of Services**		**1,455.667**	**(737.211)**	**718.456**	**1,539.796**	**(758.452)**	**781.344**
I	Other Operating Expenditure	5			62.511			52.622
J	Financing and Investment Income and Expenditure	6			26.136			47.406
K	Taxation and Non-Specific Grants	7			(637.662)			(717.160)
A-K	**Deficit on Provision of Services**				**169.441**			**164.212**

	Items that will not be Reclassified to Deficit on Provision of Services			
L	Gain on Revaluation of Non-Current Assets	12	(174.608)	(273.118)
M	Loss on Revaluation of Non-Current Assets	12	51.836	52.288
N	Remeasurement of Net Pension Liability/ (Asset)	46	(304.953)	(926.950)
L-N	**Other Comprehensive Expenditure/ (Income)**		**(427.725)**	**(1,147.780)**
A-N	**Total Comprehensive Expenditure/ (Income)**		**(258.284)**	**(983.568)**

The accompanying notes form an integral part of the financial statements.

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BALANCE SHEET

31 Mar 2022 £m			31 Mar 2023 £m
1,696.788	Property Plant & Equipment	12	1,884.324
63.423	Heritage Assets	13	60.011
0.714	Intangible Assets	16	0.400
98.295	Non-Current Investments	19	84.668
0.000	Non-Current Pensions Assets	25	29.323
0.231	Non-Current Debtors	18	0.437
1,859.451	**Total Non-Current Assets**		**2,059.163**
251.812	Current Investments	19	239.328
2.396	Assets Held for Sale	17	2.540
1.458	Inventories	20	1.549
90.384	Current Debtors	21	95.866
46.230	Cash and Cash Equivalents	22	69.889
392.280	**Total Current Assets**		**409.172**
(136.868)	Current Loans and Borrowing	19	(233.874)
(197.656)	Current Creditors	23	(169.713)
(6.146)	Current Provisions	24	(6.079)
(340.670)	**Total Current Liabilities**		**(409.666)**
(250.645)	Non-Current Borrowing	19	(232.597)
(8.362)	Non-Current Provisions	24	(7.378)
(811.883)	Non-Current Pensions Liabilities	25	0.000
(55.045)	Other Non-Current Liabilities	25	(49.998)
(1,125.935)	**Total Non-Current Liabilities**		**(289.973)**
785.126	**NET ASSETS**		**1,768.696**
412.237	Usable Reserves	11	399.956
372.889	Unusable Reserves	28	1,368.740
785.126	**TOTAL RESERVES**		**1,768.696**

The accompanying notes form an integral part of the financial statements.

I certify that the Balance Sheet position gives a true and fair view of the financial position of Derbyshire County Council as at 31 March 2023.

Mark Kenyon BA(Hons) FCPFA
Director of Finance & ICT (Section 151 Officer)

10 July 2023

CASH FLOW STATEMENT

2021-22 £m			2022-23 £m
(169.443)	**Net Surplus or (Deficit) on the Provision of Services**		**(164.214)**
179.201	Adjustments for non cash movements	41	125.836
41.290	Adjustments for investing activities	41	(9.829)
	Net cashflow from:		
51.048	**Operating Activities**	**40**	**(48.207)**
(124.410)	Investing Activities	38	(4.804)
47.935	Financing Activities	39	76.670
(25.427)	**Movement in Cash & Cash Equivalents**		**23.659**
71.657	Cash & Cash Equivalents at the start of the year	22	46.230
46.230	**Cash & Cash Equivalents at the end of the year**	**22**	**69.889**

The accompanying notes form an integral part of the financial statements.

MOVEMENT IN RESERVES STATEMENT

	Note	General Reserve	Earmarked Reserves	Unapplied Capital Grants	Capital Receipts Reserve	TOTAL USABLE RESERVES	Unusable Reserves	Total Council Reserves
		£m	£m	£m	£m	£m	£m	£m
2022-23								
Balance at 31 March 2022		**(60.505)**	**(283.333)**	**(58.682)**	**(9.715)**	**(412.233)**	**(372.891)**	**(785.123)**
Movement in reserves during 2022-23								
Total Comprehensive Income and Expenditure	CIES	**164.212**	**0.000**	**0.000**	**0.000**	**164.214**	**(1,147.780)**	**(983.566)**
Adjustments between accounting basis and funding basis under regulations	11	(125.461)	0.000	(23.729)	(2.741)	(151.931)	151.931	0.000
Net Transfer to Reserves		(10.962)	10.962	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in 2022-23		27.789	10.962	(23.729)	(2.741)	12.283	(995.849)	(983.566)
Balance at 31 March 2023 carried forward		**(32.716)**	**(272.371)**	**(82.411)**	**(12.456)**	**(399.950)**	**(1,368.740)**	**(1,768.689)**
2021-22								
Restated Balance at 31 March 2021		**(77.665)**	**(260.503)**	**(73.533)**	**(8.653)**	**(420.352)**	**(106.490)**	**(526.841)**
Movement in reserves during 2021-22								
Total Comprehensive Income and Expenditure	CIES	**169.443**	**0.000**	**0.000**	**0.000**	**169.443**	**(427.725)**	**(258.282)**
Adjustments between accounting basis and funding basis under regulations	11	(175.113)	0.000	14.851	(1.062)	(161.324)	161.324	0.000
Net Transfer to Reserves		22.830	(22.830)	0.000	0.000	0.000	0.000	0.000
(Increase)/Decrease in 2021-22		17.160	(22.830)	14.851	(1.062)	8.119	(266.401)	(258.282)
Balance at 31 March 2022 carried forward		**(60.505)**	**(283.333)**	**(58.682)**	**(9.715)**	**(412.233)**	**(372.891)**	**(785.123)**

The accompanying notes form an integral part of the financial statements.

The values held within the proceeding Notes to the Accounts may vary slightly when compared to the main Statements or other notes. This is due to amounts being rounded. It is not expected that a difference would be in excess of £10,000 in any single case.

ACCOUNTING POLICIES

The Accounting Policies for the Council have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting (the Code). Where there is no specific guidance in the Code, the Council has developed its own Accounting Policy which is aimed at creating information which is:

- relevant to the decision making needs of users; and
- reliable, in that the financial statements:
    - represent fairly the financial position, financial performance and cash flows of the entity;
    - reflect the economic substance of transactions, other events and conditions and not merely the legal form;
    - are neutral i.e. free from bias;
    - are prudent; and
    - are complete in all material respects.

The Policies outline how the Council will account for all income, expenditure, assets and liabilities held and incurred during the 2022-23 financial year.

The Accounting Policies of the Council are updated annually to reflect any changes in IFRS, including changes in International Public Sector Accounting Standards (IPSAS), HM Treasury guidance, CIPFA guidance or any other change in statute, guidance or framework impacting on the Council's accounts.

The Accounting Policies of the Council, as far as possible, have been developed to ensure that the accounts of the Council are understandable, relevant, free from material error or misstatement, reliable and comparable.

CRITICAL JUDGEMENTS WHEN APPLYING THE ACCOUNTING STANDARDS

Derby & Derbyshire Waste Treatment Centre (DDWTC)

During 2022-23 work continued to determine the condition and capability of the Derby & Derbyshire Waste Treatment Centre (DDWTC) in Sinfin, culminating in February 2023 in both the Council and Derby City Council resolving to move forward with procuring a contractor(s) to rectify and then operate the DDWTC. Work is also ongoing to determine the estimated fair value (EFV) of the contract.

The Council has considered the accounting treatment for the DDWTC and it has been determined that it will be recognised on the balance sheet at 31 March 2023 as an Asset under Construction due to the asset not yet having been brought into service. The Council has incurred capital expenditure of £6.573m during 2022-23 (£6.704m during 2021-22) securing, managing and preserving the site.

ACCOUNTING STANDARDS ISSUED AND NOT YET APPLIED

At the balance sheet date, the following interpretations, new standards and amendments to existing standards have been published but not yet adopted by the Code:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.

  The Council has concluded that although these amendments lead to improved reporting they would not have had a significant impact on the Council's 2022-23 accounts.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.

  This is only applicable to local authorities with group accounts and, therefore, would not have impacted on the Council's 2022-23 accounts.

- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

  The Council has concluded that this amendment would not have impacted on the Council's 2022-23 accounts.

IFRS 16 (Leases) is not included in the list above because the Council does not currently envisage early adoption in 2023-24.

ASSUMPTIONS MADE AND OTHER ESTIMATION UNCERTAINTY

Property Plant and Equipment Valuation
When determining current value for the measurement and disclosure requirements in relation to the Council's Property, Plant and Equipment assets, the Council makes assumptions and estimations. Where direct observable market data is unavailable, judgement is required in order to determine a fair value and the Council uses relevant experts to ensure that appropriate valuation techniques are used. Typically, judgements include considerations such as uncertainty and risk.

The method of valuation of the Council's portfolio of schools is the Depreciated Replacement Cost method, using a Modern Equivalent Asset (MEA). Where the build requirement is greater than the actual asset, the valuation is restricted to the actual size of the current asset.

Land and Buildings assets measured at current value are revalued on a five-year rolling basis by the Council's internal team of valuers. Each property is assessed on its own merits and the valuation is determined with due regard to any change or uncertainties which may affect the specific property. It is estimated that a theoretical 1% market drop applied across all properties valued in 2022-23 would equate to an impairment variation of £0.192m, which would be expensed through the surplus/deficit on the provision of services, whilst a 1% increase would equate to a rise in valuations of £13.131m to the revaluation reserve.

In line with last year, the Council has continued to review its 20% rolling programme asset base at 31 March 2023, instead of 1 April 2022, updating land values and gross replacement costs. Again, schools MEA adjustments have also been reviewed in the same manner, with material changes being valued as at the date of change, but again reviewed at 31 March 2023. The remaining assets measured at current value, which had not been revalued in this way, were then reviewed, and a further top twenty assets by value were the subject of a desktop exercise, to provide assurances that the remaining assets were not materiality misstated due to these factors.

Defined Benefit Pension Scheme Liabilities
Estimation of the net liability to pay pensions depends on several complex judgements relating to: the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund investments. The Council has engaged Hymans Robertson LLP as its Consulting Actuary to provide expert advice about the assumptions to be applied.
The effect of changes in these estimates on the net pension liability of the Council are reviewed on an ongoing basis. Variations in the key assumptions will have the following impact on the net liability:

- A 0.1% decrease in the real discount rate will increase the net pension liability by £41.352m (2% increase in liability).
- A one year increase in Fund Member life expectancy will increase the net pension liability by £95.764m (4% increase in liability).
- A 0.1% increase in the assumed level of salary increases will increase the net pension liability by £4.698m (0% (rounded) increase in liability).
- A 0.1% increase in the assumed level of pension increases will increase the net pension liability by £37.246m (2% increase in liability).

Financial Instruments Fair Value Estimates
The fair value of the Council's Lender Option Borrower Option (LOBO) loan and other long-term loans of £14.957m (£15.000m nominal) has been determined incorporating option pricing from Bloomberg. The fair value of all short-term investments (under one year) has been assumed to be their nominal value.

The impact of a 1% interest rate rise on the fair value of the Council's borrowing and investments at 31 March 2023 is a reduction of £22.496m in the net financial liability.

A loss allowance for financial assets has been recognised based on the gross value of trade debtors, excluding Central Government and other local authority debtors, which are more than 30 days past due and which have been, or are expected to be, referred for review, either by the Council's Legal Services department or under the Care Act (2014). A non-recovery rate based on the historical success rate of recovering such debt, once referred, along with a factor to reflect the prevailing economic conditions, is applied to the gross value of referred debt to determine the amount of the loss allowance. The factor for current market conditions was derived by comparing the expected default rate for 2023 with the historic default rate based on information collated by rating agency Moody's. A 1% decrease in the factor for current economic conditions would reduce the allowance for credit losses by £0.037m. A 1% decrease in the expected non-recovery rate would reduce the allowance for credit losses by £0.095m.

Business Rates

Calculations of the Council's business rates collection fund adjustments, involving estimates in relation to business rates arrears, allowance for doubtful debts, business rates overpayments and prepayments and provisions for appeals, are subject to a degree of estimation. Where business rates 2022-23 returns have not been received in sufficient time to allow reflection in the Council's financial statements, a combination of 2021-22 year-end and preliminary 2023-24 initial returns, finalised in January 2023, have been used to estimate the business rates collection fund adjustment. The business rates collection fund adjustment in the Council's accounts for 2022-23 is £3.390m, a 20% change in the estimated net adjustment could change the Council's net position by approximately £0.678m.

Local authorities are liable for an element of any successful appeal against business rates charged to businesses in 2022-23 and earlier years. The billing authorities make provisions to recognise their best estimate of the amount that businesses have been overcharged, for which the Council's proportionate share, approximately £2.121m, incorporating some of the estimates made above, has been reflected through the business rates collection fund adjustment account.

OTHER OPERATING EXPENDITURE

2021-22 £m		2022-23 £m
(1.228)	Trading Operations	(0.875)
0.354	Levies and Precepts	0.363
63.382	Loss on Disposal of Non-Current Assets	53.131
0.003	Other Income and Expenditure	0.003
62.511		**52.622**

The surplus for the year from commercial trading operations was achieved with a gross expenditure of £0.958m (2021-22: £0.510m) offset against income of £1.833m (2021-22: £1.738m).

Loss on disposal of non-current assets has reduced in 2022-23, the main reasons for this being a decrease in the asset value of schools that converted to academies during the year and also because of a change in the treatment of the derecognition of Infrastructure Assets referred to in Note 12.

Movements on non-current assets, including disposals, are shown in Note 12.

38. FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2021-22 £m		2022-23 £m
17.340	Interest Payable	18.868
(2.188)	Interest Receivable	(4.290)
(3.229)	Dividends Receivable	(3.386)
(5.292)	Financial Asset Fair Value Losses/(Gains)	7.588
(1.667)	Financial Asset Impairment Losses/(Gains)	5.877
21.172	Net Pension Costs	22.749
26.136		**47.406**

Movements in the fair value of the Council's investments in pooled investment funds were included in Financing and Investment Income and Expenditure (FIIE) in 2018-19 for the first time. These funds have been recognised and measured at Fair Value through Profit or Loss (FVPL) in accordance with IFRS 9 Financial Instruments. However, any gains or losses have been reversed out to the Financial Instruments Adjustment Account as required by the statutory temporary override that DLUHC has issued. The override was originally effective for financial years 2018-19 to 2022-23 and has since been extended for a further two years to 2024-25.

Gains and losses relating to the impairment of financial assets were included in 2018-19 for the first time. CIPFA guidance considers that conceptually debtors are a credit facility. Therefore, impairment losses from bad debts, gains or losses on the impairment of debt, or impairment of other investments held at amortised cost are a loss of principal and recognition in FIIE is therefore the default treatment.

Interest payable has been itemised in the table below.

2021-22 £m		2022-23 £m
13.549	Interest Payable on Capital Borrowing	13.323
2.977	Interest Payable on PFI	2.755
0.518	Interest Payable on Finance Leases	0.488
0.296	Interest Payable on Other Items	2.302
17.340		**18.868**

Interest receivable has been itemised in the table below.

2021-22 £m		2022-23 £m
(2.137)	Interest Receivable on Investments	(4.244)
(0.004)	Interest Receivable on Transferred Debt	(0.004)
(0.014)	Interest Receivable on Finance Leases	(0.023)
(0.011)	Interest Receivable on Cash & Bank Balances	(0.017)
(0.022)	Interest Receivable on Other Items	(0.002)
(2.188)		**(4.290)**

39. TAXATION AND NON-SPECIFIC GRANT INCOME

2021-22 £m		2022-23 £m
(353.949)	Council Tax	(368.567)
(13.813)	Revenue Support Grant	(14.249)
(18.289)	Business Rates	(21.654)
(94.892)	Business Rates Top-up	(94.892)
(15.365)	Business Rates Relief Grant	(18.797)
(10.504)	Private Finance Initiative Grant	(10.504)
(1.549)	New Homes Bonus	(1.868)
(91.512)	Other General Revenue Grants	(108.626)
(37.789)	Capital Grants	(78.003)
(637.662)		**(717.160)**

40. EXPENDITURE AND FUNDING ANALYSIS

2021-22				2022-23		
Expenditure/ (Income) chargeable to General Reserve Balance	Adjustments between funding and Accounting Basis	Net Expenditure in the CIES £m		Expenditure/ (Income) chargeable to General Reserve Balance	Adjustments between funding and Accounting Basis	Net Expenditure in the CIES £m
286.345	(38.187)	324.532	Adult Care	313.916	(25.556)	339.472
160.699	(71.781)	232.480	Children's Services and Safeguarding and Education	185.108	(70.073)	255.181
2.378	(0.467)	2.845	Clean Growth and Regeneration	0.474	(0.620)	1.094
9.392	(17.998)	27.390	Corporate Services and Budget	3.199	(20.760)	23.959
9.151	(3.160)	12.311	Health and Communities	15.103	(3.818)	18.921
38.821	(20.214)	59.035	Highways Assets and Transport	33.653	(23.218)	56.871
45.479	(1.527)	47.006	Infrastructure and Environment	68.141	(3.618)	71.759
9.453	(3.404)	12.857	Strategic Leadership, Culture, Tourism and Climate Change	10.523	(3.564)	14.087
561.718	**(156.738)**	**718.456**	**Net Cost of Services**	**630.117**	**(151.227)**	**781.344**
(0.871)	(63.382)	62.511	Other operating expenditure	(0.509)	(53.131)	52.622
28.183	2.047	26.136	Financing and investment income and expenditure	46.154	(1.252)	47.406
(571.871)	65.791	(637.662)	Taxation and non-specific grant income and expenditure	(647.973)	69.187	(717.160)
17.159	**(152.282)**	**169.441**	**Deficit/(Surplus) on Provision of Services**	**27.789**	**(136.423)**	**164.212**
77.664			**Opening General Reserve Balance at 1 April**	**60.505**		
(17.159)			Add/(less) Surplus/(Deficit) on General Reserve	(27.789)		
60.505			**Closing General Reserve Balance at 31 March**	**32.716**		

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Note to the Expenditure and Funding Analysis

2021-22					2022-23			
Adjustments for capital purposes (Note a) £m	Net Change for the Pensions Adjustments (Note b) £m	Other Differences (Note c) £m	Total Adjustments £m		Adjustments for capital purposes (Note a) £m	Net Change for the Pensions Adjustments (Note b) £m	Other Differences (Note c) £m	Total Adjustments £m
(16.853)	(21.334)	0.000	(38.187)	Adult Care	(6.625)	(18.931)	0.000	(25.556)
(26.982)	(44.799)	0.000	(71.781)	Children's Services and Safeguarding and Education	(26.843)	(43.230)	0.000	(70.073)
(0.282)	(0.185)	0.000	(0.467)	Clean Growth and Regeneration	(0.367)	(0.253)	0.000	(0.620)
(4.404)	(13.594)	0.000	(17.998)	Corporate Services and Budget	(8.313)	(12.447)	0.000	(20.760)
(0.009)	(3.151)	0.000	(3.160)	Health and Communities	(0.082)	(3.736)	0.000	(3.818)
(15.170)	(5.044)	0.000	(20.214)	Highways Assets and Transport	(18.303)	(4.915)	0.000	(23.218)
(0.468)	(1.059)	0.000	(1.527)	Infrastructure and Environment	(2.650)	(0.968)	0.000	(3.618)
(1.050)	(2.354)	0.000	(3.404)	Strategic Leadership, Culture, Tourism and Climate Change	(1.334)	(2.230)	0.000	(3.564)
(65.218)	**(91.520)**	**0.000**	**(156.738)**	**Net Cost of Services**	**(64.517)**	**(86.710)**	**0.000**	**(151.227)**
(63.382)	0.000	0.000	(63.382)	Other Operating Expenditure	(53.131)	0.000	0.000	(53.131)
(3.523)	0.000	5.570	2.047	Financing and investment income and expenditure	6.474	0.000	(7.726)	(1.252)
37.789	0.000	28.002	65.791	Taxation and non-specific grant income and expenditure	78.003	0.000	(8.816)	69.187
(94.334)	**(91.520)**	**33.572**	**(152.282)**	**Deficit/(Surplus) on Provision of Services**	**(33.171)**	**(86.710)**	**(16.542)**	**(136.423)**

A – Adjustments for Capital Funding and Expenditure Purposes

Adjustment to General Reserve Balance to meet the requirements of generally accepted accounting practices, this column adds in depreciation and impairment and revaluation gains and losses in the service lines and for:

- Other Operating Expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and Investment Income and Expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from financing and investment income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and Non-Specific Grant Income and Expenditure – Capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and Expenditure line is credited with capital grants in the year without conditions or for which conditions were satisfied in the year.

B – Net Change for the Removal of Pension Contributions and the Addition of Pension IAS19 Related Expenditure and Income

Net change for the removal of pension contributions and the addition of IAS19 Employee Benefits Pension Related Expenditure and Income:

- For services this represents the removal of the employer pension contributions made by the authority as permitted by statute and the replacement with current service costs and past service costs.
- For Financing and Investment Income and Expenditure the net interest on the defined benefit liability is charged to the CIES.

C – Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and the amounts payable/receivable to be recognised under statute:

- For Financing and Investment Income and Expenditure the other differences column recognises adjustments to General Reserve for the timing differences for premiums and discounts and gains/losses on pooled funds measured at FVPL.
- The charge under Taxation and Non-Specific Grant Income and Expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and Business Rates that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the district/borough council Collection Funds. It also represents the movement in the Earmarked Reserve balances.

41. EXPENDITURE AND INCOME ANALYSED BY NATURE

	2021-22 £m	2022-23 £m
Expenditure		
Employee expenses	627.979	649.518
Premises	35.961	42.289
Transport	30.234	35.798
Supplies and services	680.579	732.635
Capital depreciation, amortisation, impairment	80.916	79.559
Interest payments, loan modification, financial asset impairment and fair value changes	31.553	55.082
Precepts and levies	0.354	0.363
Trading operations	(1.228)	(0.875)
Loss on disposal of assets	63.382	53.131
Total Expenditure	**1,549.730**	**1,647.500**
Income		
Fees, charges and other service income	(210.805)	(218.651)
Interest and investment income	(5.417)	(7.676)
Income from Council Tax, business rates	(467.131)	(485.113)
Business rates relief grant	(15.365)	(18.797)
Government grants and contributions	(681.571)	(753.051)
Total Income	**(1,380.289)**	**(1,483.288)**
Deficit on the Provision of Services	**(169.441)**	**(164.212)**

42. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

County Council Controlled Companies
MEGZ Limited is a private company limited by 9,251 ordinary shares, all of which are held by the Council. There are three directors of the company who are Members of the Council; all have been appointed by the Council. There were no transactions with the company during the financial year (2021-22: £nil).

Joint Venture Companies and Partnerships
Scape Group Limited is a private limited company. The Council holds 75,000 of its £1 ordinary shares (17% share). The Council has one director on the company board who is an elected Member of the Council and was appointed by the Council. During 2022-23 the Council received dividends of £0.350m from Scape Group Limited (2021-22: £0.500m).

Vertas (Derbyshire) Limited (VDL) and Concertus (Derbyshire) Limited (CDL) are private limited companies in which the Council has a 49% stake, with the aim of providing cleaning and caretaking services and property design and consultancy, respectively. VDL and CDL are run as Joint Venture companies with the other shareholders being part of Suffolk Group Holdings Limited, whose ultimate parent undertaking and controlling party is Suffolk County Council. The Council has Board representation at VDL and CDL with two directors on the board of each company. Vertas Group Limited (Vertas) and Concertus Design and Property Consultants Limited (Concertus), subsidiary undertakings of Suffolk Group Holdings Limited, have day to day financial control of VDL and CDL, respectively. Financial Governance is maintained via the production of monthly Management Accounts information, which is supplied to Board members and to Finance Officers of the Council. VDL and CDL are assessable to Corporation Tax and VAT in accordance with current legislation. All taxation related matters of VDL and CDL, including Corporation Tax, VAT and Income Tax are managed by Vertas and Concertus. During 2022-23, income of £0.073m was receivable from VDL (2021-22: £0.489m), of which £0.017m was outstanding at 31 March 2023 (31 March 2022: £0.077m). During 2022-23, CDL income receivable was £0.052m (2021-22: £0.052m), of which £0.013m was outstanding at 31 March 2023 (31 March 2022: £0.004m). During 2022-23, expenditure of £10.491m was payable to VDL and Vertas (Derbyshire) Traded Limited, its wholly owned subsidiary (2021-22: £7.600m), of which £0.002m was outstanding at 31 March 2023 (31 March 2022: £nil). During 2022-23, expenditure of £5.568m was payable to CDL and Concertus Derbyshire Traded Limited, its wholly owned subsidiary (2021-22: £3.322m); there were no outstanding balances at 31 March 2023 (31 March 2022: £nil).

PSP (Derbyshire) LLP (PSPD) is a limited liability partnership (LLP) formed between the Council and PSP Facilitating Limited (PSPF), under the provisions of the Limited Liability Partnership Act 2000. The purpose of PSPD is to help the Council unlock value from its land and property. Decision making, ownership and profit share are 50/50 between the Council and PSPF. Financial Governance is maintained via a Members Agreement and a Procedure Agreement. All financial activities of PSPD are conducted by PSPF, including statutory compliance, audit, bank account management, VAT and other taxation matters, and all liaison with HMRC and other Government bodies. There were no transactions with the company during 2022-23 (2021-22: £nil).

Derbyco Project SPV Limited is a dormant private limited company with an issued share capital of 100 £0.01 ordinary shares, which was formed in respect of the treatment and disposal of non-hazardous waste. The shareholding is split 50/50 between the Council and Derby City Council. The Council has one director on the company board. There were no transactions with the company during the financial year (2021-22: £nil).

Other Companies

The Derbyshire Environmental Trust Limited is a company limited by guarantee with no share capital. One of the directors of the Trust is a Member who was appointed by the Council. Income transactions with this organisation in the year totalled £0.081m (2021-22: £0.075m). There were no expenditure transactions during the year (2021-22: £nil).

The Creswell Heritage Trust is a company limited by guarantee with no share capital. One of the directors of the Trust is a Member who was appointed by the Council. Income transactions with this organisation in the year totalled £0.002m (2021-22: £0.006m) and expenditure transactions totalled £0.033m (2021-22: £0.007m).

Derbyshire Learning and Community Partnerships Ltd is a private company limited by 16,000 ordinary shares. The Council has a 10% shareholding, with the other shareholders being Building Schools for the Future LLP (10%) and Equitix Derbyshire Limited (80%). The Council had one director on the board, who left the Council in 2022-23. There were no transactions with the company during the financial year.

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other organisations. Grants received from Government departments are set out in the subjective analysis in Note 9. Grant receipts are also disclosed in Note 7 and Note 37.

Typical transactions with Central Government bodies include, but are not restricted to, investments, Pay As You Earn and National Insurance contributions paid and pension contributions paid. During 2022-23, income transactions excluding grants totalled £16.099m (2021-22: £13.757m), of these, £15.853m were with academy schools (2021-22: £13.348m). During 2022-23, expenditure transactions totalled £212.953m (2021-22: £283.936m) and included the following significant transactions:

Inland Revenue	£108.347m (2021-22: £98.531m)
Debt Management Office	£nil (2021-22: £95.000m)
Teachers' Pensions	£42.754m (2021-22: £42.545m)
Public Works Loan Board	£18.823m (2021-22: £11.598m)

Other Local Authorities – typical transactions include, but are not restricted to, investments, borrowing, repayment of transferred debt, re-imbursement of joint project costs and supplies of goods and services. During 2022-23, income transactions totalled £35.593m (2021-22: £38.679m) and included significant transactions with Derby City Council totalling £22.120m (2021-22: £26.268m). During 2022-23, expenditure transactions totalled £42.681m excluding short term lending and repayment of borrowing with other local authorities (2021-22: £38.945m).

Health Bodies – typical transactions include, but are not restricted to, re-imbursement of joint project costs and supplies of goods and services. During 2022-23, income transactions with health bodies in the year totalled £80.408m (2021-22: £93.076m) and included significant transactions with NHS Derby and Derbyshire ICB of £78.111m (2021-22: £88.773m). Expenditure transactions totalled £37.275m (2021-22: £31.319m) and included transactions with Derbyshire Community Health Services NHS Foundation Trust of £22.112m (2021-22: £21.169m).

Members and Senior Officers – Council Members and Senior Officers have direct control over the Council's financial and operating policies. The total of Members' allowances paid in 2022-23 is shown in Note 30. During 2022-23, income transactions in which Members and/or Senior Officers had an interest totalled £81.860m (2021-22: £94.463m), of which £78.111m is in respect of NHS Derby and Derbyshire ICB (2021-22: £88.773m), which has the Council's Director of Public Health on its Governing Body as a local authority representative. During 2022-23, works and services to the value of £23.633m (2021-22: £13.055m), of which £10.491m is in respect of VDL and Vertas (Derbyshire) Traded Limited (2021-22: £7.600m) and £5.568m is in respect of CDL and Concertus Derbyshire Traded Limited (2022-23: £3.321m), were commissioned from companies in which Members and/or Senior Officers had an interest on behalf of the Council. There were no material outstanding balances at 31 March 2023 (31 March 2022: £nil). Contracts were entered into in full compliance with the Council's Standing Orders.

From May 2021, a Member was elected as Derbyshire's Police and Crime Commissioner. Up to May 2021, a Member served as the Deputy Police and Crime Commissioner for Derbyshire. During 2022-23, eleven Members (2021-22: twelve Members) served as Council-appointed members of the Derbyshire Combined Fire Authority, and from May 2021 one of these members served as Chair. During 2021-22 and 2022-23, four Members served as Council-appointed members of the Peak District National Park Authority and one Member served as a Director on the D2N2 LEP, which is a company limited by guarantee. During 2022-23, two Members served as the Council's representative to Belper Leisure Centre Limited (2021-22: one Member), a charitable company limited by guarantee.

Derbyshire Pension Fund – the Council is the administering authority for the Derbyshire Pension Fund (the Fund) under the Local Government Pension Scheme Regulations 2013.

Included in management expenses in 2022-23 are charges from the Council of £3.071m (2021-22: £2.853m), for expenses incurred in respect of oversight and governance of the Fund, for Fund administration and for management of the Fund's in-house investments. At 31 March 2023 the Fund owed the Council £2.110m (31 March 2022: £4.453m).

It has not been possible to apportion, on a reasonable basis, the costs and benefits of key management personnel between the Council and the Fund. However, Members' Allowances and Officers' Remuneration are disclosed in Notes 30 and 31.

LGPS Central Limited – LGPS Central Limited (LGPSC) has been established to manage investment assets on behalf of eight LGPS funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPSC Pool, of which the Council, as the administering authority for the Fund, is one of the shareholders.

The Council's Section 151 Officer, or their nominee, represents the Council on the LGPS Central Shareholders' Forum, with delegated authority to make decisions on any matters which require a decision by the shareholders of LGPS Central Limited. All decisions made by the Section 151 Officer or their nominee, using delegated powers, are reported to the next meeting of the Pensions and Investments Committee.

The Fund had £1.315m invested in share capital and £0.685m in a loan to LGPSC at 31 March 2023 (31 March 2022: £1.315m and £0.685m, respectively) and was owed interest of £0.047m on the loan to LGPSC on the same date (2021-22: £0.032m).

The Fund incurred costs of £0.164m associated with LGPSC Investment Management and Monitoring Costs in respect of an Active Emerging Markets Equities Multi Manager sub-fund, an index-tracking All World Equity Climate Multi Factor sub-fund, an Active Global Investment Grade Corporate Bond sub-fund and a Credit Partnership Limited Partnership sub-fund (Private Debt) in 2022-23 (2021-22: £0.087m), of which £0.041m was payable to LGPSC at 31 March 2023 (31 March 2022: £0.023m). The charge excludes fees paid to the underlying investment managers of £1.265m in 2022-23 (2021-22: £0.990m), with the increase between 2021-22 and 2022-23 reflecting an increase in the level of investment assets managed through LGPSC products.

The Fund incurred £1.065m in respect of Governance, Operator Running and Product Development costs in connection with LGPSC in 2022-23 (2021-22: £0.947m), of which £0.332m was payable to LGPSC at 31 March 2023 (31 March 2022: £0.240m).

LGPSC leases office space from the Council. The lease commenced on 14 June 2018 and is for a duration of five years, with a break clause at 30 June 2021. The rental income received and receivable by the Council from LGPSC in 2022-23 amounted to £0.015m (2021-22: £0.015m). For the duration of the lease term, subsequent years' rentals will be subject to an annual increase of 2.8%. Subsequent to 31 March 2023, LGPSC has notified the Council that it will not be renewing the lease on expiry.

From 29 March 2023, an amended guarantee was put in place to enable LGPSC to recognise an offsetting asset to the IAS19 liability on its balance sheet. The new agreement extends the definition of 'Outstanding Liabilities' to include the total IAS 19 defined benefit obligation. As the IAS 19 figure was previously used as a proxy to estimate the possible cost of cessation, this does not change the amount estimated under the guarantee. LGPSC is responsible for employer and employee contributions and pays these when due. The LGPSC IAS19 pension liability at 31 March 2023 (calculated annually at the year-end) amounts to £0.665m. Derbyshire Pension Fund's share of this LGPSC IAS19 pension liability is £0.083m. The partners are jointly and severally liable.

D2N2 Local Enterprise Partnership (LEP) – The Council is the Accountable Body for the D2N2 LEP. During 2022-23, the Council received £0.107m from the D2N2 LEP, which was all non-grant income (2021-22: total of £0.102m, all of which was non-grant income). At 31 March 2023, £0.107m was outstanding (31 March 2022: £0.089m). During 2022-23, the Council did not commission any Works and Services from the D2N2 LEP (2021-22: £0.113m) and contributions of £0.050m were made (2021-22: £0.061m). £0.050m was outstanding at 31 March 2023 (31 March 2022: £0.061m).

Using the freedom and flexibilities given to LEP Accountable Bodies, during 2020-21 the Council utilised Getting Building Fund underspends of £16.241m to fund its capital programme. In 2022-23 the Council repaid £0.253m of this funding to the LEP (2021-22: £15.988m). £0.253m was outstanding at 31 March 2023 (31 March 2022: £15.988m).

43. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year, in accordance with proper accounting practice, to align with the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

		Usable reserves					
Narrative	Note	General Reserve £m	Earmarked Revenue Reserves £m	Unapplied Capital Grants £m	Capital Receipts Reserve £m	Total Unusable Reserves £m	Total £m
BALANCE AT 31 MARCH 2022		**(60.505)**	**(283.333)**	**(58.682)**	**(9.715)**	**(372.888)**	**(785.123)**
Comprehensive Income & Expenditure		164.214	**0.000**	**0.000**	**0.000**	**(1,147.780)**	**(983.566)**
Adjustments between accounting basis and funding basis							
Depreciation of Non-Current Assets	12	(43.902)	0.000	0.000	0.000	43.902	0.000
Impairment of Non-Current Assets	12	(20.614)	0.000	0.000	0.000	20.614	0.000
Application of Capital Grants credited to the CIES	37	78.003	0.000	(78.003)	0.000	0.000	0.000
Disposal of Non-Current Assets	12	(53.131)	0.000	0.000	(4.278)	57.409	0.000
Revenue Expenditure Funded from Capital Under Statute		(15.043)	0.000	0.000	0.000	15.043	0.000
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(0.965)	0.000	0.000	0.000	0.965	0.000
Amount by which Council Tax and Business Rates income credited to the CIES is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements		2.145	0.000	0.000	0.000	(2.145)	0.000

Reversal of items relating to retirement benefits debited or credited to the CIES	46	(150.348)	0.000	0.000	0.000	150.348	0.000
Statutory provision for the financing of capital investment		21.437	0.000	0.000	0.000	(21.437)	0.000
Principal repayments of transferred debt		0.007	0.000	0.000	0.000	(0.007)	0.000
Capital expenditure charged in the year to the General Reserve		0.073	0.000	0.000	0.000	(0.073)	0.000
Reversal of gains/losses on pooled investment funds measured at FVPL charged to the CIES	19	(7.588)	0.000	0.000	0.000	7.588	0.000
Amount by which finance costs (proportion of previous years' premiums and interest rates) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	19	(0.139)	0.000	0.000	0.000	0.139	0.000
Amount by which finance costs (capital loan impairments) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	19	0.000	0.000	0.000	0.000	0.000	0.000
Employer's pension contributions and direct payments to pensioners payable in the year	46	64.604	0.000	0.000	0.000	(64.604)	0.000
Deferred Capital Receipts becoming usable		0.000	0.000	0.000	(0.010)	0.010	0.000
Dedicated Schools Grant (DSG) closing deficit balance	36	0.000	0.000	0.000	0.000	0.000	0.000
Financing of capital expenditure	15	0.000	0.000	54.274	1.547	(55.821)	0.000
Adjustments between accounting basis and funding basis		**(125.461)**	**0.000**	**(23.729)**	**(2.741)**	**151.931**	**0.000**
Reserves movements							
Transfer to Earmarked Reserves	27	126.327	(126.327)	0.000	0.000	0.000	0.000
Transfer from Earmarked Reserves	27	(137.289)	137.289	0.000	0.000	0.000	0.000
Total movements		**(136.423)**	**10.962**	**(23.729)**	**(2.741)**	**151.931**	**0.000**
BALANCE AT 31 MARCH 2023		**(32.714)**	**(272.371)**	**(82.411)**	**(12.456)**	**(1,368.737)**	**(1,768.689)**

		Usable reserves					
Narrative	Note	General Reserve £m	Earmarked Revenue Reserves £m	Unapplied Capital Grants £m	Capital Receipts Reserve £m	Restated Total Unusable Reserves £m	Restated Total £m
RESTATED BALANCE AT 31 MARCH 2021		**(77.665)**	**(260.503)**	**(73.533)**	**(8.653)**	**(106.487)**	**(526.841)**
Comprehensive Income & Expenditure		169.443	**0.000**	**0.000**	**0.000**	**(427.725)**	**(258.282)**
Adjustments between accounting basis and funding basis							
Depreciation of Non-Current Assets	12	(41.133)	0.000	0.000	0.000	41.133	0.000
Impairment of Non-Current Assets	12	(24.085)	0.000	0.000	0.000	24.085	0.000
Application of Capital Grants credited to the CIES	37	37.789	0.000	(37.789)	0.000	0.000	0.000
Disposal of Non-Current Assets	12	(63.382)	0.000	0.000	(3.352)	66.734	0.000
Revenue Expenditure Funded from Capital Under Statute		(15.697)	0.000	0.000	0.000	15.697	0.000
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		0.792	0.000	0.000	0.000	(0.792)	0.000
Amount by which Council Tax and Business Rates income credited to the CIES is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements		9.065	0.000	0.000	0.000	(9.065)	0.000

Reversal of items relating to retirement benefits debited or credited to the CIES	46	(156.729)	0.000	0.000	0.000	156.729	0.000
Statutory provision for the financing of capital investment		11.805	0.000	0.000	0.000	(11.805)	0.000
Principal repayments of transferred debt		0.006	0.000	0.000	0.000	(0.006)	0.000
Capital expenditure charged in the year to the General Reserve		0.363	0.000	0.000	0.000	(0.363)	0.000
Reversal of gains/losses on pooled investment funds measured at FVPL charged to the CIES	19	5.292	0.000	0.000	0.000	(5.292)	0.000
Amount by which finance costs (proportion of previous years' premiums) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	19	0.278	0.000	0.000	0.000	(0.278)	0.000
Amount by which finance costs (capital loan impairments) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	19	0.000	0.000	0.000	0.000	0.000	0.000
Employer's pension contributions and direct payments to pensioners payable in the year	46	64.416	0.000	0.000	0.000	(64.416)	0.000
Deferred Capital Receipts becoming usable		0.000	0.000	0.000	(0.883)	0.883	0.000
Dedicated Schools Grant (DSG) closing deficit balance	36	(3.893)	0.000	0.000	0.000	3.893	0.000
Financing of capital expenditure	15	0.000	0.000	52.640	3.173	(55.813)	0.000
Adjustments between accounting basis and funding basis		**(175.113)**	**0.000**	**14.851**	**(1.062)**	**161.324**	**0.000**
Reserves movements							
Transfer to Earmarked Reserves	27	104.495	(104.495)	0.000	0.000	0.000	0.000
Transfer from Earmarked Reserves	27	(81.665)	81.665	0.000	0.000	0.000	0.000
Total movements		**(152.283)**	**(22.830)**	**14.851**	**(1.062)**	**161.324**	**0.000**
BALANCE AT 31 MARCH 2022		**(60.505)**	**(283.333)**	**(58.682)**	**(9.715)**	**(372.888)**	**(785.123)**

44. PROPERTY, PLANT AND EQUIPMENT

The value of Property, Plant and Equipment (PPE) assets in the Balance Sheet are shown at their carrying valuation, less accumulated depreciation charges. The table below shows the movement in PPE assets during the year:

	Note/ Statement	Land & Buildings £m	Vehicles, Plant & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Property Plant & Equipment £m
COST OR VALUATION								
At 1 April 2022		**1,235.600**	**65.061**		**6.116**	**17.920**	**54.288**	
Additions		26.613	2.467	36.701	0.120	0.000	19.156	**85.057**
Disposals		(48.806)	(2.804)	0.000	0.000	(1.550)	0.000	**(53.160)**
Disposals derecognition		(3.902)	0.000	0.000	(0.001)	0.000	0.000	**(3.903)**
Revaluation Gains to RR*	CIES	238.013	0.000	0.000	0.013	7.630	0.000	**245.656**
Revaluation Losses to RR	CIES	(50.017)	0.000	0.000	(1.180)	(1.091)	0.000	**(52.288)**
Revaluation Losses to CIES		(17.262)	0.000	0.000	(2.512)	(0.390)	0.000	**(20.164)**
Transfer within PPE		10.573	0.159	8.513	2.102	1.648	(22.995)	**0.000**
Transfer to Held for Sale		1.010	0.000	0.000	0.000	(1.153)	0.000	**(0.143)**
At 31 March 2023		**1,391.846**	**64.883**		**4.658**	**23.014**	**50.449**	
DEPRECIATION								
At 1 April 2022		**(8.924)**	**(52.224)**		**(0.041)**	**(1.803)**	**0.000**	
Charge for year		(24.164)	(3.145)	(16.257)	(0.004)	(0.019)	0.000	**(43.589)**
Revaluations to RR	CIES	26.278	0.000	0.000	0.000	0.184	0.000	**26.462**
Impairment to CIES		(0.168)	0.000	0.000	0.000	0.000	0.000	**(0.168)**
Disposals		0.787	2.717	0.000	0.000	0.104	0.000	**3.608**
Disposals derecognition		0.144	0.000	0.000	0.000	0.000	0.000	**0.144**
Transfer within PPE		0.178	0.002	0.000	0.000	(0.180)	0.000	**0.000**
At 31 March 2023		**(5.869)**	**(52.650)**		**(0.045)**	**(1.714)**	**0.000**	
OPENING VALUE		1,226.676	12.837	380.795	6.075	16.117	54.288	1,696.788
CLOSING VALUE		**1,385.977**	**12.233**	**409.752**	**4.613**	**21.300**	**50.449**	**1,884.324**
NATURE OF ASSET HOLDING								
Purchased / Built		1,347.195	12.233	409.752	4.613	21.300	50.450	**1,845.543**
Finance Lease		9.671	0.000	0.000	0.000	0.000	(0.001)	**9.670**
Donated		5.820	0.000	0.000	0.000	0.000	0.000	**5.820**
Private Finance Initiative		23.291	0.000	0.000	0.000	0.000	0.000	**23.291**
		1,385.977	**12.233**	**409.752**	**4.613**	**21.300**	**50.449**	**1,884.324**

*RR – Revaluation Reserve

The fair value measurement of the Council's Surplus Assets is analysed below, with net book value being categorised as fair value Level 1, Level 2 or Level 3. Refer to Note 19 for more information about these Levels.

	Net Book Value (NBV)			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Land	0.000	0.160	20.572	20.732
Buildings	0.000	0.217	0.351	0.568
	0.000	**0.377**	**20.923**	**21.300**

The 2021-22 position was:

	Note/ Statement	Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Property Plant & Equipment
		£m	£m	£m	£m	£m	£m	£m
COST OR VALUATION								
At 1 April 2021		**1,207.501**	**65.436**		**4.641**	**17.816**	**41.848**	
Additions		20.553	2.990	45.661	0.227	0.019	28.005	**97.455**
Disposals		(55.336)	(3.290)	0.000	0.000	(1.163)	0.000	**(59.789)**
Disposals derecognition		(1.762)	0.000	(11.930)	(0.055)	0.000	0.000	**(13.747)**
Revaluation Gains to RR*	CIES	133.716	0.000	0.000	0.000	1.790	0.000	**135.506**
Revaluation Losses to RR	CIES	(49.965)	0.000	0.000	0.000	(1.855)	0.000	**(51.820)**
Revaluation Losses to CIES		(23.235)	0.000	0.000	0.000	(0.397)	0.000	**(23.632)**
Transfer within PPE		4.128	(0.075)	8.499	1.303	1.710	(15.565)	**0.000**
Transfer to Held for Sale		0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
At 31 March 2022		**1,235.600**	**65.061**		**6.116**	**17.920**	**54.288**	
DEPRECIATION								
At 1 April 2021		**(9.268)**	**(52.464)**		**(0.037)**	**(1.725)**	**0.000**	
Charge for year		(24.270)	(2.992)	(13.254)	(0.004)	(0.021)	0.000	**(40.541)**
Revaluations to RR	CIES	23.256	0.000	0.000	0.000	0.165	0.000	**23.421**
Impairment to CIES		(0.443)	0.000	0.000	0.000	0.000	0.000	**(0.443)**
Disposals		1.539	3.154	0.000	0.000	0.002	0.000	**4.695**
Disposals derecognition		0.116	0.000	2.490	0.000	0.000	0.000	**2.606**
Transfer within PPE		0.146	0.078	0.000	0.000	(0.224)	0.000	**0.000**
Transfer to Held for Sale		0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
At 31 March 2022		**(8.924)**	**(52.224)**		**(0.041)**	**(1.803)**	**0.000**	
OPENING VALUE		1,198.233	12.972	349.329	4.604	16.091	41.848	1,623.077
CLOSING VALUE		**1,226.676**	**12.837**	**380.795**	**6.075**	**16.117**	**54.288**	**1,696.788**
NATURE OF ASSET HOLDING								
Purchased / Built		1,191.616	12.837	380.795	6.075	16.117	54.288	**1,661.728**
Finance Lease		7.535	0.000	0.000	0.000	0.000	0.000	**7.535**
Donated		5.820	0.000	0.000	0.000	0.000	0.000	**5.820**
Private Finance Initiative		21.705	0.000	0.000	0.000	0.000	0.000	**21.705**
		1,226.676	**12.837**	**380.795**	**6.075**	**16.117**	**54.288**	**1,696.788**

*RR – Revaluation Reserve

In accordance with the temporary relief offered by the Update to the Code on Infrastructure Assets, this note does not include disclosure of gross cost and accumulated depreciation for Infrastructure Assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The Council has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately and would not provide the basis for the users of the financial statements to take economic or other decisions relating to Infrastructure Assets.

The Council has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for Infrastructure Assets when there is replacement expenditure is nil.

Under IFRS13, the Council is required to provide a summary of the fair value measurement for Surplus Assets. The 2021-22 position was:

	Net Book Value (NBV)			
	Level 1	**Level 2**	**Level 3**	**Total**
	£m	**£m**	**£m**	**£m**
Land	0.000	7.926	7.056	14.982
Buildings	0.000	0.389	0.746	1.135
	0.000	**8.315**	**7.802**	**16.117**

A summary of the Council's Property, Plant and Equipment is included below, giving information as to the proportion of the closing value at 31 March 2023 which relates to assets held at historic cost and the proportion which relates to assets which have been revalued, and if so, the year of that revaluation under the Council's five year rolling programme of physical revaluation. In addition to this physical formal revaluation programme, school assets are revalued each year based on a desk top review. The value of schools revalued in this way at 31 March 2023 is £685.678m.

	Land & Buildings £m	Vehicles, Plant & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Property Plant & Equipment £m
VALUATION							
At 31 March 2023	284.498	0.000	0.000	0.000	21.300	0.000	305.798
At 31 March 2022	318.326	0.000	0.000	0.000	0.000	0.000	318.326
At 31 March 2021	327.927	0.000	0.000	0.000	0.000	0.000	327.927
At 31 March 2020	239.943	0.000	0.000	0.000	0.000	0.000	239.943
At 31 March 2019	186.441	0.000	0.000	0.000	0.000	0.000	186.441
	1,357.135	**0.000**	**0.000**	**0.000**	**21.300**	**0.000**	**1,378.435**
HISTORIC COST	**28.842**	**12.233**	**409.752**	**4.613**	**0.000**	**50.449**	**505.889**
CLOSING VALUE							
At 31 March 2023	**1,385.977**	**12.233**	**409.752**	**4.613**	**21.300**	**50.449**	**1,884.324**

45. NATURE AND SCALE OF HERITAGE ASSETS

The table below shows the movement in Heritage Assets during the year:

	Monuments, Statues and Historic Buildings £m	County Buildings £m	Archives and Local Studies Collection £m	Museum Collection and Artefacts £m	Heritage Assets £m
COST OR VALUATION					
At 1 April 2021	**53.816**	**0.032**	**4.000**	**5.575**	**63.423**
Additions	0.214	0.000	0.000	0.000	**0.214**
Disposals	0.000	0.000	0.000	(1.136)	**(1.136)**
Impairment losses/(reversals) through I&E	(0.281)	0.000	0.000	0.000	**(0.281)**
Revaluations	0.000	0.001	1.000	0.000	**1.001**
Transfers to/(from) Heritage Assets	(0.024)	0.000	0.000	0.000	**(0.024)**
Derecognition	(3.186)	0.000	0.000	0.000	**(3.186)**
At 31 March 2022	**50.539**	**0.033**	**5.000**	**4.439**	**60.011**
DEPRECIATION					
At 1 April 2021	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Depreciation Charge	0.000	0.000	0.000	0.000	**0.000**
Disposals	0.000	0.000	0.000	0.000	**0.000**
At 31 March 2022	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
OPENING VALUE	53.816	0.032	4.000	5.575	63.423
CLOSING VALUE	**50.539**	**0.033**	**5.000**	**4.439**	**60.011**
NATURE OF ASSET HOLDING					
Purchased / Built	50.539	0.033	5.000	3.773	59.345
Donated	0.000	0.000	0.000	0.666	0.666
	50.539	**0.033**	**5.000**	**4.439**	**60.011**

The Council’s Heritage Assets are categorised as follows:

Monuments, Statues and Historic Buildings – the Council owns various historic buildings, the most significant of which is Elvaston Castle, which was designed by James Wyatt, in the gothic revival style, in the early 1800s. The castle is situated in approximately 321 acres of open parkland, woodland and historical gardens. The Council has a Masterplan in place and has continued to dedicate capital expenditure to improve access and provide a sustainable future for the castle and its country park.

County Buildings – various heritage assets are held at County Buildings. These include pieces of silverware from the former Judges’ lodgings and railway nameplates.

Archives and Local Studies Collection – this collection is proportioned approximately 80% archives and 20% local studies. A large photographic collection is held at the Derbyshire Records Office. Also held are records of the magistrates’ court, county court, coroner’s court, hospitals and NHS Trust. This is Derbyshire’s only place of deposit.

Museum Collection and Artefacts – the permanent galleries at Buxton Museum showcase the core collections, covering Peak District archaeology, geology, art and local history. There is a recreated study of the work of archaeologist Sir William Boyd Dawkins, together with a fine art collection of mostly 19th and 20th century works in watercolours, oils and prints, including works by Brangwyn, Chagall, Chahine and their contemporaries. Also held at the museum is a mineral collection including Blue John, local specimens and cave deposits. There is also a collection of Ice Age material and finds from Creswell Crags on the Derbyshire border. A number of Hans Coper vases are also held.

The 2021-22 position was:

	Monuments, Statues and Historic Buildings £m	County Buildings £m	Archives and Local Studies Collection £m	Museum Collection and Artefacts £m	Heritage Assets £m
COST OR VALUATION					
At 1 April 2021	**40.600**	**0.058**	**4.250**	**2.964**	**47.872**
Additions	0.269	0.000	0.000	0.000	**0.269**
Disposals	0.000	0.000	(0.250)	(0.094)	**(0.344)**
Impairment losses/(reversals) through I&E	0.000	(0.010)	0.000	0.000	**(0.010)**
Revaluations	12.976	(0.016)	0.000	2.705	**15.665**
Derecognition	(0.029)	0.000	0.000	0.000	**(0.029)**
At 31 March 2022	**53.816**	**0.032**	**4.000**	**5.575**	**63.423**
DEPRECIATION					
At 1 April 2021	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Depreciation Charge	0.000	0.000	0.000	0.000	**0.000**
Disposals	0.000	0.000	0.000	0.000	**0.000**
At 31 March 2022	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
OPENING VALUE	40.600	0.058	4.250	2.964	47.872
CLOSING VALUE	**53.816**	**0.032**	**4.000**	**5.575**	**63.423**
NATURE OF ASSET HOLDING					
Purchased / Built	53.816	0.032	4.000	4.399	62.247
Donated	0.000	0.000	0.000	1.176	1.176
	53.816	**0.032**	**4.000**	**5.575**	**63.423**

46. HERITAGE ASSETS NOT REPORTABLE IN THE BALANCE SHEET

Where the Council is unable to place a reliable fair value on Heritage Assets because of their nature, it is required to disclose them in accordance with the Code of Practice on Local Authority Accounting. Details of these Heritage Assets are set out below:

- Colliery Bridge, Shipley Country Park
- Paul's Arm Bridge, Shipley Country Park
- Leawood River Aqueduct
- Northern Retaining Walls and Loading Bay, Cromford Wharf
- Side Walls and Curbs to Canal Basin, Cromford Wharf
- Railway Embankment and Road Bridge, Steeple Grange, Wirksworth

- Grindlow Tower, Solomon's Temple, Poole's Cavern Country Park, Buxton
- Workshops, Offices and Terminus at Cromford and High Peak Junction
- Brittain Colliery Headstocks, Ripley
- Brittain Colliery Engine House, Ripley
- Archive Collections at Derbyshire Record Office

47. CAPITAL EXPENDITURE AND CAPITAL FINANCING

2021-22 £m		2022-23 £m
97.902	Capital Additions	85.265
15.697	Revenue Expenditure Funded from Capital Under Statute	15.043
113.599	**Capital Expenditure**	**100.308**
57.423	Loans	44.414
0.363	Revenue Contributions	0.073
3.172	Capital Receipts	1.548
52.641	Grants and Contributions	54.273
113.599	**Capital Financing**	**100.308**

2021-22 £m		2022-23 £m
525.679	**Opening Capital Financing Requirement (CFR)**	**571.297**
	Capital Investment	
97.755	Property, Plant and Equipment	85.265
0.147	Intangible Assets	0.000
15.697	Revenue Expenditure Funded from Capital under Statute	15.043
	Sources of Finance	
(3.172)	Capital Receipts	(1.548)
(52.641)	Government Grants and other Contributions	(54.273)
(0.363)	Direct Revenue Contributions	(0.073)
(11.805)	Statutory Minimum Revenue Provision	(21.436)
571.297	**Closing Capital Financing Requirement (CFR)**	**594.275**
45.618	**Movement in Year**	**22.978**
	Increase/(Decrease) in Underlying Need to Borrow (Unsupported by Government Financial Assistance)	

48. INTANGIBLE ASSETS

Intangible assets relate to the purchase of software licences:

	2021-22 £m	2022-23 £m
COST OR VALUATION		
At 1st April	**8.800**	**8.947**
Additions	0.147	0.000
Disposals	0.000	0.000
At 31st March	**8.947**	**8.947**
DEPRECIATION		
At 1st April	**(7.640)**	**(8.233)**
Charge for year	(0.593)	(0.314)
Disposals	0.000	0.000
At 31st March	**(8.233)**	**(8.547)**
OPENING VALUE	1.160	0.714
CLOSING VALUE	**0.714**	**0.400**

49. ASSETS HELD FOR SALE

2021-22					2022-23			
Carrying Value			RR		Carrying Value			RR
GBV £m	Dpn £m	NBV £m	£m		GBV £m	Dpn £m	NBV £m	£m
2.896	**0.000**	**2.896**	**1.645**	**At 1 April**	**2.396**	**0.000**	**2.396**	**1.434**
(0.500)	0.000	(0.500)	(0.211)	Sales	0.000	0.000	0.000	0.000
0.000	0.000	0.000	0.000	Transfers	0.143	0.000	0.143	0.539
2.396	**0.000**	**2.396**	**1.434**	**At 31 March**	**2.539**	**0.000**	**2.539**	**1.973**

Assets must meet stringent criteria to be classified as Held for Sale rather than Surplus.

50. NON-CURRENT DEBTORS

31 Mar 2022 £m		Note	31 Mar 2023 £m
0.036	Non-Current Transferred Debt	19	0.034
0.195	Other Non-Current Debtors	19	0.403
0.231	**Total Non-Current Debtors**		**0.437**

51. FINANCIAL INSTRUMENTS

Financial Assets comprise loans to other bodies, cash and short-term deposits, investments in equity funds and receivables.

Current Financial Assets

	Carrying Value		Fair Value	
	31 Mar 2022 £m	31 Mar 2023 £m	31 Mar 2022 £m	31 Mar 2023 £m
Current Investments	251.812	239.328	251.812	239.328
Cash and Cash Equivalents	46.230	69.889	46.230	69.889
Trade Debtors	27.888	25.417	27.888	25.417
Current Financial Assets	**325.930**	**334.634**	**325.930**	**334.634**

Non-Current Financial Assets

	Note	Fair Value Level	Carrying Value		Fair Value	
			31 Mar 2022 £m	31 Mar 2023 £m	31 Mar 2022 £m	31 Mar 2023 £m
Pooled Investment Funds		1	71.556	63.968	71.556	63.968
Loan to Buxton Crescent Ltd		3	11.292	10.251	12.547	13.053
Loan to Chesterfield FC Community		3	0.449	0.449	0.500	0.500
Other Non-Current Investments		2	14.996	10.000	14.750	9.665
Non-Current Investments			**98.293**	**84.668**	**99.353**	**87.186**
Non-Current Transferred Debt	18	2	0.036	0.034	0.036	0.034
Other Non-Current Debtors	18	*	0.195	0.402	0.195	0.402
Non-Current Financial Assets			**98.524**	**85.104**	**99.584**	**87.622**

* Fair value disclosure not required

The Non-Current Investments balance includes the Council's holdings in pooled investment funds.

Financial Assets by Measurement Classification

	Carrying Value		Fair Value	
	31 Mar 2022 £m	31 Mar 2023 £m	31 Mar 2022 £m	31 Mar 2023 £m
Amortised Costs	352.898	355.770	353.958	358.288
Fair Value through Profit or Loss	71.556	63.968	71.556	63.968
Total Financial Assets	**424.454**	**419.738**	**425.514**	**422.256**

At 31 March 2023 there was one non-current investment in the balance sheet with a carrying value in excess of £15.000m:

- CCLA Mutual Investment Trust Property Fund, with a carrying value equal to fair value at 31 March 2023 of £22.657m (original investment £25.000m). This investment is open ended but can be realised with 90 days' notice.

Non-Current Transferred Debt and Other Non-Current Debtors are not quoted on active markets meaning that fair value cannot be accurately calculated. As such they have been reported at carrying value.

The fair values of the Council's deposits and the loans it has made are determined with reference to the principal, term, rate and timing of the interest and the borrower's credit rating.

Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

The following financial assets are pooled investment funds which the Council has measured at FVPL. The Council's pooled investment funds are traded on active markets, for which the Council can access the measurement data. The fair values of these funds are determined by the closing bid prices at 31 March 2023. It is the Council's intention to hold these assets for the medium to long term to earn investment income and for capital appreciation.

Financial Assets measured at FVPL	Carrying Value		Fair Value	
	31 Mar 2022 £m	31 Mar 2023 £m	31 Mar 2022 £m	31 Mar 2023 £m
Aegon - Diversified Income Fund	10.111	8.856	10.111	8.856
CCLA - LA Property Fund	27.129	22.657	27.129	22.657
CCLA Diversified Income Fund	5.130	4.674	5.130	4.674
M&G - Optimal Income Fund	4.791	4.436	4.791	4.436
M&G - Global Dividend Fund	6.518	6.414	6.518	6.414
Ninety One Diversified Income Fund	9.320	8.825	9.320	8.825
Schroder - Income Maximiser Fund	8.557	8.106	8.557	8.106
Total	**71.556**	**63.968**	**71.556**	**63.968**

The Council holds 75,000 £1 ordinary shares (17% share) in the Local Authority controlled Scape Group (Ltd). The value of this holding is small and there are conditions on the shares that prevent them from being traded on the open market. The Council does not consider the value to be material and therefore no value is carried on the Council's Balance Sheet.

There have been no financial assets measured at FVPL which have been derecognised in the year ended 31 March 2023.

Dividend Income

Dividend income from the Council's investments in equity instruments and pooled investment funds has been recognised as follows:

	2021-22 £m	2022-23 £m
None	0.000	0.000
From Investments Derecognised	**0.000**	**0.000**
Aegon - Diversified Income Fund	0.515	0.516
CCLA - LA Property Fund	0.895	0.982
CCLA Diversified Income Fund	0.123	0.141
M&G - Global Dividend Fund	0.179	0.272
M&G - Optimal Income Fund	0.117	0.142
Ninety One Diversified Income Fund	0.351	0.373
Schroder - Income Maximiser Fund	0.550	0.610
Scape Group Limited shares	0.500	0.350
From Investments Held at Year End	**3.230**	**3.386**
Total Dividends Received	**3.230**	**3.386**

Financial Instrument Liabilities comprise loans and borrowings, PFI liabilities, finance lease liabilities and other liabilities at contract amounts.

Current Financial Liabilities

	Carrying Value		Fair Value	
	31 Mar 2022 £m	31 Mar 2023 £m	31 Mar 2022 £m	31 Mar 2023 £m
Transferred Debt	(0.007)	(0.008)	(0.007)	(0.008)
Public Works Loan Board	(7.320)	(6.401)	(7.320)	(6.401)
Temporary Loans	(127.500)	(224.500)	(127.500)	(224.500)
Accrued Interest	(2.042)	(2.965)	(2.042)	(2.965)
Current Loans and Borrowing	**(136.869)**	**(233.874)**	**(136.869)**	**(233.874)**
Trade Creditors	(114.587)	(102.873)	(114.587)	(102.873)
PFI liability	(4.388)	(4.623)	(7.008)	(6.777)
Finance lease liability	(0.400)	(0.423)	(0.400)	(0.423)
Current Financial Liabilities	**(256.244)**	**(341.793)**	**(258.864)**	**(343.947)**

Non-Current Financial Liabilities

	Note	Fair Value Level	Carrying Value		Fair Value	
			31 Mar 2022 £m	31 Mar 2023 £m	31 Mar 2022 £m	31 Mar 2023 £m
Transferred Debt		2	(0.142)	(0.134)	(0.142)	(0.134)
Public Works Loan Board		2	(221.960)	(216.931)	(300.421)	(229.596)
Other Long Term Loans		2	(28.543)	(15.532)	(32.086)	(14.957)
Non-Current Borrowing			**(250.645)**	**(232.597)**	**(332.649)**	**(244.687)**
PFI liability	25	3	(51.199)	(46.576)	(55.123)	(43.668)
Finance lease liability	25	*	(3.846)	(3.422)	(3.846)	(3.422)
Non-Current Financial Liabilities			**(305.690)**	**(282.595)**	**(391.618)**	**(291.777)**

* Fair value disclosure not required

Financial Liabilities by Measurement Classification

	Carrying Value		Fair Value	
	31 Mar 2022 £m	31 Mar 2023 £m	31 Mar 2022 £m	31 Mar 2023 £m
Amortised Costs	(561.934)	(624.388)	(650.482)	(635.724)
Fair Value through Profit or Loss	0.000	0.000	0.000	0.000
Total Financial Liabilities	**(561.934)**	**(624.388)**	**(650.482)**	**(635.724)**

The Council has 47 loans with the Public Works Loan Board (PWLB) at 31 March 2023. The start date of the earliest of these PWLB loans was September 1997, with a maturity date of 7 May 2023 (a period of between 25 and 26 years). The most recent start date was November 2007, for a period of 30 years. During the year, two loans with the PWLB were repaid. The average loan rate across the loans is 4.44%. The average discount rate is 5.03%.

At 31 March 2023 the Council held one LOBO loan and two other long-term loans (Barclays waived their LOBO options in June 2016):

- £5.000m Dexia LOBO loan, commencing in August 2004, for 35 years, at a fixed rate of 4.5%. The fair value is £5.357m, using a discount rate of 3.950%.
- £5.000m Barclays loan commencing in October 2003, for 40 years, with an introductory rate of 3.2% for four years, then 4.875% thereafter. The carrying value of the loan at 31 March 2023 is £5.330m and the fair value is £4.971m, using a discount rate of 5.112%.
- £5.000m Barclays loan, commencing in February 2005, for 40 years, with an introductory interest rate of 3.7% for four years, then 4.5% thereafter. A discount of £0.103m applied at the commencement of the loan. The carrying value of the loan at 31 March 2023 is £5.202m and the fair value is £4.630m, using a discount rate of 5.096%.

PFI and Finance Lease Liabilities are not quoted on active markets. The discounted cash flow method has been used to calculate the fair value of PFI liabilities. Refer to Note 44 for further details. The average interest rate across the Council's 16 finance leases is 11.67%. Refer to Note 43 for further details.

Interest Income and Expenditure

The following income and expenditure have been recognised in the CIES in relation to interest on financial instruments:

	Income/(Expense)	
	2021-22 £m	2022-23 £m
Interest Income	2.188	4.290
Interest Expense	(17.340)	(18.868)
Net Interest Income/(Expense)	**(15.152)**	**(14.578)**

Financial Instrument Gains/Losses

The following gains and losses have been recognised in the CIES in relation to the carrying value of the Council's financial assets:

Financial Assets	Net (Losses)/Gains 2021-22 £m	2022-23 £m
Amortised Costs	1.667	(5.877)
Fair Value through Profit or Loss	5.292	(7.588)
FVOCI - Gains/Losses Recognised in Other Comprehensive Income	0.000	0.000
FVOCI - Accumulated Gains/Losses Reclassified to Surplus Deficit on Provision of Service	0.000	0.000
Total (Losses)/Gains	**6.959**	**(13.465)**

Losses arising from financial assets measured at amortised cost relate to impairment of these assets, including write-off of irrecoverable trade debt and movement in the allowances for loss due to default on these assets. The loan advances to Buxton Crescent Ltd (formerly Buxton Crescent Hotel and Thermal Spa Company Ltd) meet the definition of capital expenditure under statutory provisions, therefore the movement in the loss allowance for default provided for these advances has been reversed out to the Capital Adjustment Account.

Losses from financial assets measured at Fair Value through Profit or Loss (FVPL) relate to movements in the fair value of the Council's investments in pooled investment funds. These losses have been reversed out to the Financial Instruments Adjustment Account as required by the statutory temporary override DLUHC has issued. The override was originally effective for financial years 2018-19 to 2022-23 and has since been extended for a further two years to 2024-25.

There are no gains or losses from financial assets measured at Fair Value through Other Comprehensive Income (FVOCI).

The following losses arose on derecognition from Financial Assets measured at amortised cost.

	2021-22		2022-23	
	Gains £m	(Losses) £m	Gains £m	(Losses) £m
Loan to Buxton Crescent Ltd	0.000	(0.162)	0.000	0.000
Gains/(Losses) on Derecognition	**0.000**	**(0.162)**	**0.000**	**0.000**

The Buxton Crescent hotel was scheduled to open in Spring 2020. However, due to the impacts of the Covid-19 pandemic, this opening was delayed until Autumn 2020 and additional closures in line with Government guidance and reduced visitor numbers had a significant negative impact on the hotel's ability to generate any revenues in 2020-21 and early 2021-22. On 19 July 2021 most legal restrictions on social contact were lifted in England and the hotel's operations could start to return to normal.

The Council agreed to write-off £0.566m of interest accruing on the loan to Buxton Crescent Limited, for the year ended 31 March 2021, and £0.162m of interest accruing from 1 April 2021 to 18 July 2021. This is in recognition of the fact that Buxton Crescent Limited's revenues were significantly lower than anticipated because of the Covid-19 pandemic, which has impacted on its ability to afford interest payments on the loan. These write-offs were funded from Covid-19 grant funding.

There have been no gains or losses recognised in the CIES in relation to the carrying value of the Council's financial liabilities.

Fee Income and Expenses

	Income/(Expense)	
	2021-22 £m	2022-23 £m
Fees From Instruments not at FVPL	(0.132)	(0.144)
Fees From Investing Activities on Behalf of Other Parties	0.030	0.032
Net Fee Income/(Expense)	**(0.102)**	**(0.112)**

The Council incurred £0.144m in brokerage fees to execute transactions relating to new loans the Council took out. All of these loans had a term of one year or less. £0.032m of income was earned from banking and treasury management services provided to the Derbyshire Pension Fund and Local Enterprise Partnership (LEP) for Derby, Derbyshire, Nottingham and Nottinghamshire.

Financial Instruments – Fair Values

Financial assets which do not give rise to cash flows which are solely payments of principal and interest, or where it is not the Council's intention to hold those assets to collect the contractual cash flows, are carried in the Balance Sheet at fair value. For most assets, including bonds, treasury bills and shares in money market funds and other pooled funds, the fair value is taken from the market price. The fair values of other instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2023, using the following methods and assumptions:

- Certificates of deposit and forward loan contracts have been discounted at market interest rates for instruments of similar credit quality and remaining term to maturity.

Financial assets classified as loans and receivables and all non-derivative financial liabilities are carried in the Balance Sheet at amortised cost. Their fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2023, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- The value of the LOBO loan has been increased by the value of the embedded options, where a value exists. The lender's options to propose an increase to the interest rate on the loan have been valued according to a proprietary model for Bermudan cancellable swaps. The Council's contingent options to accept the increased rate or repay the loan have been valued at zero, on the assumption that the lender will only exercise their option when market rates have risen above the contractual loan rate.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount.

Fair values are split by their level in the fair value hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness.

52. INVENTORIES

	2021-22			2022-23		
	Highways	Other	Total	Highways	Other	Total
	£m	£m	£m	£m	£m	£m
1 April	**0.409**	**1.179**	**1.588**	**0.309**	**1.149**	**1.458**
Purchase of new stock	0.973	1.574	2.547	1.060	1.922	2.982
Stock issued	(1.073)	(1.598)	(2.671)	(1.035)	(1.841)	(2.876)
Stock written off	0.000	(0.006)	(0.006)	0.000	(0.015)	(0.015)
31 March	**0.309**	**1.149**	**1.458**	**0.334**	**1.215**	**1.549**

53. CURRENT DEBTORS

The current debtor balance can be analysed into the following categories:

31 Mar 2022 £m		31 Mar 2023 £m
10.570	From Other Local Authorities	15.544
7.464	From NHS Bodies	3.587
12.260	From Government Departments	16.570
4.453	From Derbyshire Pension Fund	2.110
52.835	From Other Sundry Debtors	55.930
87.582	**Amounts Owed to the Council**	**93.741**
0.024	To Other Local Authorities	0.012
0.020	To Government Departments	0.531
4.831	To Other Sundry Debtors	7.522
4.875	**Expenditure Paid in Advance by the Council**	**8.065**
92.457	**Total Current Debtors**	**101.806**
(2.073)	Less Allowance for Bad Debts	(5.940)
90.384	**Carrying Value of Current Debtors**	**95.866**

54. CASH AND CASH EQUIVALENTS

31 Mar 2022 £m		31 Mar 2023 £m
41.991	County Fund Bank Account Balance	31.586
41.991	**Cash Book for County Fund Account**	**31.586**
0.208	Schools Cash Income Account Balance	0.321
0.208	**Cash Book for Schools Cash Account**	**0.321**
42.199	**Total Cash Book Balance**	**31.907**
2.132	Amounts held by Bank Account Schools	2.444
0.453	Amounts held in Petty Cash Accounts	0.472
0.452	Amounts held in Imprest Bank Accounts	0.422
(0.004)	Amounts held in Other Bank Accounts	(0.004)
45.232	**Total Cash Balance**	**35.241**
1.009	Bank Instant-Access Deposit Accounts	1.058
0.000	Short-Term Deposits	33.620
(0.011)	Cash Investment Loss Allowance	(0.030)
46.230	**Total Cash and Cash Equivalents**	**69.889**

55. CREDITORS

The creditor balance can be analysed into the following categories:

31 Mar 2022 £m		31 Mar 2023 £m
(8.033)	To Other Local Authorities	(9.843)
(1.319)	To NHS Bodies	(2.495)
(15.364)	To Government Departments	(14.585)
(120.506)	To Other Sundry Creditors	(110.466)
(145.222)	**Amounts Owed by the Council**	**(137.389)**
(0.545)	From Other Local Authorities	(0.731)
(15.104)	From NHS Bodies	(9.461)
(29.064)	From Government Departments	(15.701)
(7.721)	From Other Sundry Creditors	(6.431)
(52.434)	**Income Received in Advance by the Council**	**(32.324)**
(197.656)	**Carrying Value of Creditors**	**(169.713)**

56. PROVISIONS

Total Provisions

	Insurance Fund	Exit Packages	Other	Total
	£m	£m	£m	£m
1 April 2021	9.120	0.625	5.775	15.520
New Provisions	3.766	2.246	3.902	9.914
Utilisation of Provision	(4.524)	(0.628)	(5.559)	(10.711)
Reversal of Provision	0.000	0.000	(0.216)	(0.216)
1 April 2022	**8.362**	**2.243**	**3.902**	**14.507**
New Provisions	8.457	2.346	3.785	14.588
Utilisation of Provision	(9.441)	(1.049)	(1.165)	(11.655)
Reversal of Provision	0.000	(1.246)	(2.737)	(3.983)
31 March 2023	**7.378**	**2.294**	**3.785**	**13.457**

Maturity Profile of Provisions

	Insurance Fund	Exit Packages	Other	Total
	£m	£m	£m	£m
Current Provisions	0.000	2.243	3.902	6.145
Non-Current Provisions	8.362	0.000	0.000	8.362
31 March 2022	**8.362**	**2.243**	**3.902**	**14.507**
Current Provisions	0.000	2.294	3.785	6.079
Non-Current Provisions	7.378	0.000	0.000	7.378
31 March 2023	**7.378**	**2.294**	**3.785**	**13.457**

Provision for Exit Packages
Estimated costs associated with future voluntary redundancies include an element for schools. The provision has been created on a global estimation of the cuts required to achieve the savings targets. There is uncertainty around which employees will leave the Council and at what time, which will determine the true cost.

Cash outflows are expected to be £2.415m in 2023-24. There are expected to be no cash outflows in 2024-25 and 2025-26.

Insurance Fund Provision
The Insurance Fund meets the estimated 'excess' of the Council's insurance policies, with amounts held in either the insurance provision or the insurance reserve. The total Insurance Fund balance is £23.420m (31 March 2022: £24.401m). The provision of £7.378m represents obligations as at 31 March as a result of past claims. The reserve balance of £16.042m represents the Council's self-insurance risk premium.
Cash outflows are expected to average just over £2.000m each year for the next three to four years.

Other Provisions
At 31 March 2023 the other provisions balance of £3.785m is comprised of £2.980m for a refund expected to be payable to the Derby and Derbyshire ICB in respect of income recognised relating to Continuing Healthcare and £0.478m expected to be payable for outstanding post-16 payments to colleges. The timing and amount of payments in respect of these provisions are not yet known. A further £0.327m is expected to be payable for the clawback of grant funding from Derbyshire's Adult Community Education Service, which will be determined at the end of the academic year.

The timing of the cash outflows is not expected to be later than one year from 31 March 2023.

57. NON-CURRENT PENSIONS LIABILITIES/ASSETS AND OTHER NON-CURRENT LIABILITIES

Non-Current Pensions (Liabilities)/Assets

31 Mar 2022 £m		31 Mar 2023 £m
(759.230)	Pensions (Liability)/Asset - LGPS	73.379
(52.653)	Pensions Liability - Teachers	(44.056)
(811.883)	**Pensions (Liability)/Asset**	**29.323**

Other Non-Current Liabilities

31 Mar 2022 £m		31 Mar 2023 £m
(11.831)	PFI Phase 1	(10.199)
(16.858)	PFI Phase 2	(15.387)
(22.510)	PFI - BSF	(20.990)
(2.746)	Finance Lease - Joint Service Centre	(2.660)
(1.100)	Finance Lease - Other Leases	(0.762)
(55.045)		**(49.998)**

Further information about the leases, PFI scheme and pension liabilities/assets can be found in Notes 43 to 46.

58. USABLE RESERVES

Usable reserves relate to cash backed reserves that are available to finance future services or capital expenditure. Below are details of the Council's usable reserves and their purpose:

- **General Reserve** – revenue reserves available for future service delivery.
- **Revenue Earmarked Reserves** – revenue reserves available for future service delivery, however future spending pressures have been identified for which they will be used.
- **Usable Capital Receipts** – proceeds from the sale of Property, Plant and Equipment assets which are available to finance future capital developments.
- **Capital Grants Unapplied** – unused grant receipts for capital developments.

Details of the Council's usable reserves can be found in the Movement in Reserves Statement and Notes 11 and 27.

TRANSFERS TO / FROM EARMARKED RESERVES

	1 Apr 2021 £m	Transfers In £m	Transfers Out £m	31 Mar 2022 £m	Transfers In £m	Transfers Out £m	31 Mar 2023 £m
Adult Care							
Older People's Housing Strategy	(16.103)	0.000	0.000	(16.103)	0.000	3.337	(12.766)
Prior Year Underspends	0.000	(0.807)	0.000	(0.807)	(2.669)	0.000	(3.476)
Telecare	(1.500)	0.000	1.500	0.000	0.000	0.000	0.000
Other reserves	(0.039)	(0.093)	0.113	(0.019)	(0.009)	0.000	(0.028)
Sub Total	**(17.642)**	**(0.900)**	**1.613**	**(16.929)**	**(2.678)**	**3.337**	**(16.270)**
Clean Growth and Regeneration							
Regeneration Kick-Start Feasibility Fund	0.000	(2.000)	0.638	(1.362)	(4.000)	2.827	(2.535)
Skills Training	(0.111)	0.000	0.012	(0.099)	(0.776)	0.020	(0.855)
Markham Environment Centre	(0.114)	0.000	0.000	(0.114)	0.000	0.000	(0.114)
Other reserves	(0.395)	(0.006)	0.092	(0.309)	0.000	0.000	(0.309)
Sub Total	**(0.620)**	**(2.006)**	**0.742**	**(1.884)**	**(4.776)**	**2.847**	**(3.813)**
Corporate Services and Budget							
Revenue Contributions to Capital	(44.584)	(20.478)	14.228	(50.834)	(22.598)	13.649	(59.783)
Loan Modification Gains	(25.254)	0.000	1.024	(24.230)	0.000	1.116	(23.114)
Insurance and Risk Management	(17.104)	(0.047)	1.114	(16.037)	(0.506)	0.500	(16.043)
Budget Management	(11.917)	(20.854)	17.137	(15.634)	(27.398)	30.748	(12.284)
Business Development and Economic Recovery Fund	(15.000)	0.000	3.938	(11.062)	0.000	4.277	(6.785)
Business Rates Risks	0.000	0.000	0.000	0.000	(8.406)	1.838	(6.568)
Covid Emergency and SFC Losses Grants	(11.248)	(16.810)	12.688	(15.370)	0.000	8.963	(6.407)
Cyber Security	0.000	0.000	0.000	0.000	(4.000)	0.000	(4.000)
Planned Building Maintenance	(6.553)	(0.279)	1.210	(5.622)	(0.245)	2.603	(3.264)
Property Insurance Maintenance Pool	(2.997)	(1.481)	1.723	(2.755)	(1.898)	1.593	(3.060)
Prior Year Underspends	(2.878)	(1.326)	1.642	(2.562)	(1.319)	0.871	(3.010)
Investment Losses Contingency	(2.500)	0.000	0.000	(2.500)	0.000	0.000	(2.500)
Computer Purchasing	(2.850)	(0.813)	0.393	(3.270)	(0.025)	0.848	(2.447)
PFI Reserves	(1.980)	(0.335)	0.693	(1.622)	(0.599)	0.157	(2.064)
Feasibility Assessment	0.000	0.000	0.000	0.000	(2.510)	1.095	(1.415)
Inflation Risks	0.000	0.000	0.000	0.000	(10.000)	8.773	(1.227)
Demolition of Buildings	(0.377)	(0.330)	0.370	(0.337)	(1.141)	0.385	(1.093)
Exchequer Traded Services Risks	(0.850)	(0.234)	0.015	(1.069)	(0.040)	0.050	(1.059)
Business Rates Pool	(6.301)	(2.248)	0.155	(8.394)	0.000	7.394	(1.000)
Business Rates Strategic Investment Fund	(1.988)	0.000	1.056	(0.932)	0.000	0.000	(0.932)
Change Management	(1.163)	0.000	0.629	(0.534)	0.000	0.194	(0.340)
Post-Covid Funding Risks	0.000	(14.000)	0.000	(14.000)	0.000	14.000	0.000
Property DLO	(1.424)	(0.134)	1.221	(0.337)	(0.202)	0.539	0.000
Covid-19 Tax Income Guarantee Grant	(1.267)	0.000	1.267	0.000	0.000	0.000	0.000
Other reserves	(4.335)	(1.234)	2.982	(2.587)	(0.704)	1.201	(2.090)
Sub Total	**(162.570)**	**(80.603)**	**63.485**	**(179.688)**	**(81.591)**	**100.794**	**(160.485)**

	1 Apr 2021 £m	Transfers In £m	Transfers Out £m	31 Mar 2022 £m	Transfers In £m	Transfers Out £m	31 Mar 2023 £m
Childrens Services and Safeguarding and Education							
Schools Balances	(34.925)	(7.268)	3.849	(38.344)	(3.042)	8.087	(33.299)
Tackling Troubled Families	(3.818)	(1.781)	1.533	(4.066)	(2.238)	1.289	(5.015)
Prior Year Underspends	(0.235)	0.000	0.069	(0.166)	(0.957)	0.000	(1.123)
Education Levelling Up	0.000	0.000	0.000	0.000	(1.000)	0.103	(0.897)
Childrens Services IT Systems	(0.657)	0.000	0.213	(0.444)	(0.200)	0.224	(0.420)
Primary Teacher Pooled Premiums	(0.653)	(0.267)	0.653	(0.267)	(0.316)	0.267	(0.316)
Dedicated Schools Grant (DSG)	0.000	(1.023)	1.023	0.000	(1.177)	0.902	(0.275)
Other reserves	(1.549)	(0.401)	1.083	(0.867)	(0.271)	0.495	(0.643)
Sub Total	**(41.837)**	**(10.740)**	**8.423**	**(44.154)**	**(9.201)**	**11.367**	**(41.988)**
Highways Assets and Transport							
Bus Services Improvement Plan Grant	0.000	0.000	0.000	0.000	(6.357)	0.000	(6.357)
Prior Year Underspends	(11.301)	(0.706)	1.679	(10.328)	(0.905)	7.174	(4.059)
Highway Development Control Interface	0.000	(1.500)	0.000	(1.500)	0.000	0.000	(1.500)
Highway Drainage	0.000	0.000	0.000	0.000	(0.747)	0.000	(0.747)
Derby and Derbyshire Road Safety Partnership Reserve	(0.617)	(0.044)	0.128	(0.533)	(0.102)	0.024	(0.611)
Winter Maintenance	(2.000)	0.000	0.765	(1.235)	0.000	0.955	(0.280)
Commuted Highways Maintenance	(1.710)	0.000	0.000	(1.710)	(0.222)	1.932	0.000
Other reserves	(1.979)	0.000	0.609	(1.370)	(0.162)	0.451	(1.081)
Sub Total	**(17.607)**	**(2.250)**	**3.181**	**(16.676)**	**(8.495)**	**10.536**	**(14.635)**
Health and Communities							
Homes for Ukraine Grant	0.000	0.000	0.000	0.000	(10.415)	0.000	(10.415)
Public Health Grant	(8.532)	0.000	0.440	(8.092)	0.000	0.341	(7.751)
Domestic Abuse	(1.622)	(0.003)	0.521	(1.104)	(0.792)	0.520	(1.376)
Community Safety	(0.021)	(0.022)	0.000	(0.043)	(1.218)	0.000	(1.261)
Grant Funding Prospectus	0.000	0.000	0.000	0.000	(1.650)	0.641	(1.009)
Covid Test and Trace Grant	(3.385)	0.000	0.160	(3.225)	0.000	3.225	0.000
Covid Practical Support Funding	0.000	(1.314)	0.000	(1.314)	0.000	1.314	0.000
Other reserves	(2.210)	(0.143)	1.610	(0.743)	(0.068)	0.061	(0.750)
Sub total	**(15.770)**	**(1.482)**	**2.731**	**(14.521)**	**(14.143)**	**6.102**	**(22.562)**
Infrastructure and Environment							
Digital Growth	0.000	(2.340)	0.000	(2.340)	(0.372)	0.272	(2.440)
Waste Recycling Initiatives	(0.598)	(0.100)	0.000	(0.698)	0.000	0.125	(0.573)
Elvaston Maintenance	(0.198)	(0.073)	0.000	(0.271)	(0.029)	0.000	(0.300)
Bidding and Funding Team	0.000	0.000	0.000	0.000	(0.100)	0.000	(0.100)
Other reserves	(0.492)	(0.012)	0.145	(0.359)	(0.150)	0.142	(0.367)
Sub Total	**(1.288)**	**(2.525)**	**0.145**	**(3.668)**	**(0.651)**	**0.539**	**(3.780)**

	1 Apr 2021 £m	Transfers In £m	Transfers Out £m	31 Mar 2022 £m	Transfers In £m	Transfers Out £m	31 Mar 2023 £m
Strategic Leadership, Culture, Tourism and Climate Change							
Climate Change	0.000	0.000	0.000	0.000	(4.171)	0.000	(4.171)
Green Entrepreneurs	0.000	(2.000)	0.096	(1.904)	0.000	0.242	(1.662)
Community Managed Libraries	(0.742)	0.000	0.000	(0.742)	(0.593)	0.423	(0.912)
Vision Derbyshire Economic Development Pilot	0.000	(1.000)	0.113	(0.887)	0.000	0.376	(0.511)
Library Restructure	(0.429)	0.000	0.000	(0.429)	0.000	0.000	(0.429)
Policy and Research	(0.660)	0.000	0.000	(0.660)	0.000	0.329	(0.331)
Other reserves	(1.340)	(0.989)	1.136	(1.193)	(0.028)	0.397	(0.824)
Sub Total	**(3.171)**	**(3.989)**	**1.345**	**(5.815)**	**(4.792)**	**1.767**	**(8.840)**
Overall Totals	**(260.505)**	**(104.495)**	**81.665**	**(283.335)**	**(126.327)**	**137.289**	**(272.373)**

Some prior year Earmarked Reserves balances have been recategorised to align with the portfolio which has contributed most to the balance at 31 March 2023.

UNUSABLE RESERVES

The balance of unusable reserves is made up of a number of adjustment accounts, none of which are available to finance future spending. The reserves that make up the balance are detailed below.

31 Mar 2022 £m		31 Mar 2023 £m
787.970	Revaluation Reserve	958.319
411.876	Capital Adjustment Account	402.506
(4.562)	Financial Instruments Adjustment Account	(4.700)
1.556	Pooled Investments Adjustment Account	(6.032)
0.579	Deferred Capital Receipts Reserve	0.790
(811.883)	Pensions Reserve	29.323
(0.076)	Collection Fund Adjustment Account	2.069
(5.050)	DSG Adjustment Account	(5.050)
(7.521)	Accumulated Absences Account	(8.485)
372.889	**Balance at 31 March**	**1,368.740**

The movements in unusable reserves in 2022-23 are detailed below.

		Unusable reserves									
Narrative	Note	Deferred Capital Receipts £m	Revaluation Reserve £m	Capital Adjustment Account £m	Pooled Investments Adjustment Account £m	Financial Instruments Adjustment Account £m	Accumulated Absences Account £m	Collection Fund Adjustment Account £m	DSG Adjustment Account £m	Pensions Reserve £m	Total Unusable Reserves £m
BALANCE AT 31 MARCH 2022		**(0.579)**	**(787.970)**	**(411.877)**	**(1.557)**	**4.562**	**7.523**	**0.077**	**5.050**	**811.883**	**(372.888)**
Comprehensive Income & Expenditure		**0.000**	**(220.830)**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**(926.950)**	**(1,147.780)**
Adjustments between accounting basis and funding basis											
Depreciation of Non-Current Assets	12	0.000	14.408	29.494	0.000	0.000	0.000	0.000	0.000	0.000	43.902
Impairment of Non-Current Assets	12	0.000	0.000	20.614	0.000	0.000	0.000	0.000	0.000	0.000	20.614
Application of Capital Grants credited to the CIES	37	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Disposal of Non-Current Assets	12	(0.221)	36.073	21.557	0.000	0.000	0.000	0.000	0.000	0.000	57.409
Revenue Expenditure Funded from Capital Under Statute		0.000	0.000	15.043	0.000	0.000	0.000	0.000	0.000	0.000	15.043
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		0.000	0.000	0.000	0.000	0.000	0.965	0.000	0.000	0.000	0.965
Amount by which Council Tax and Business Rates income credited to the CIES is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements		0.000	0.000	0.000	0.000	0.000	0.000	(2.145)	0.000	0.000	(2.145)

Reversal of items relating to retirement benefits debited or credited to the CIES	46	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	150.348	150.348
Statutory provision for the financing of capital investment		0.000	0.000	(21.437)	0.000	0.000	0.000	0.000	0.000	0.000	(21.437)
Principal repayments of transferred debt		0.000	0.000	(0.007)	0.000	0.000	0.000	0.000	0.000	0.000	(0.007)
Capital expenditure charged in the year to the General Reserve		0.000	0.000	(0.073)	0.000	0.000	0.000	0.000	0.000	0.000	(0.073)
Reversal of gains/losses on pooled investment funds measured at FVPL charged to the CIES	19	0.000	0.000	0.000	7.588	0.000	0.000	0.000	0.000	0.000	7.588
Amount by which finance costs (proportion of previous years' premiums and interest rates) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	19	0.000	0.000	0.000	0.000	0.139	0.000	0.000	0.000	0.000	0.139
Amount by which finance costs (capital loan impairments) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	19	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Employer's pension contributions and direct payments to pensioners payable in the year	46	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	(64.604)	(64.604)
Deferred Capital Receipts becoming usable		0.010	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.010
Dedicated Schools Grant (DSG) closing deficit balance	36	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Financing of capital expenditure	15	0.000	0.000	(55.821)	0.000	0.000	0.000	0.000	0.000	0.000	(55.821)
Adjustments between accounting basis and funding basis		**(0.211)**	**50.481**	**9.370**	**7.588**	**0.139**	**0.965**	**(2.145)**	**0.000**	**85.744**	**151.931**
Reserves movements											
Transfer to Earmarked Reserves	27	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Transfer from Earmarked Reserves	27	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total movements		**(0.211)**	**50.481**	**9.370**	**7.588**	**0.139**	**0.965**	**(2.145)**	**0.000**	**85.744**	**151.931**
BALANCE AT 31 MARCH 2023		**(0.790)**	**(958.319)**	**(402.507)**	**6.031**	**4.701**	**8.488**	**(2.068)**	**5.050**	**(29.323)**	**(1,368.737)**

The movements in unusable reserves in 2021-22 are detailed below.

		Restated Unusable reserves									
Narrative	Note	Deferred Capital Receipts £m	Revaluation Reserve £m	Capital Adjustment Account £m	Pooled Investments Adjustment Account £m	Financial Instruments Adjustment Account £m	Accumulated Absences Account £m	Collection Fund Adjustment Account £m	DSG Adjustment Account £m	Restated Pensions Reserve £m	Restated Total Unusable Reserves £m
RESTATED BALANCE AT 31 MARCH 2021		**(1.087)**	**(712.056)**	**(445.056)**	**3.735**	**4.840**	**8.315**	**9.142**	**1.157**	**1,024.523**	**(106.487)**
Comprehensive Income & Expenditure		**0.000**	**(122.772)**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**	**(304.953)**	**(427.725)**
Adjustments between accounting basis and funding basis											
Depreciation of Non-Current Assets	12	0.000	13.916	27.217	0.000	0.000	0.000	0.000	0.000	0.000	41.133
Impairment of Non-Current Assets	12	0.000	0.000	24.085	0.000	0.000	0.000	0.000	0.000	0.000	24.085
Application of Capital Grants credited to the CIES	37	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Disposal of Non-Current Assets	12	(0.375)	32.942	34.167	0.000	0.000	0.000	0.000	0.000	0.000	66.734
Revenue Expenditure Funded from Capital Under Statute		0.000	0.000	15.697	0.000	0.000	0.000	0.000	0.000	0.000	15.697
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		0.000	0.000	0.000	0.000	0.000	(0.792)	0.000	0.000	0.000	(0.792)
Amount by which Council Tax and Business Rates income credited to the CIES is different from Council Tax and Business Rates income calculated for the year in accordance with statutory requirements		0.000	0.000	0.000	0.000	0.000	0.000	(9.065)	0.000	0.000	(9.065)

Reversal of items relating to retirement benefits debited or credited to the CIES	46	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	156.729	156.729
Statutory provision for the financing of capital investment		0.000	0.000	(11.805)	0.000	0.000	0.000	0.000	0.000	0.000	(11.805)
Principal repayments of transferred debt		0.000	0.000	(0.006)	0.000	0.000	0.000	0.000	0.000	0.000	(0.006)
Capital expenditure charged in the year to the General Reserve		0.000	0.000	(0.363)	0.000	0.000	0.000	0.000	0.000	0.000	(0.363)
Reversal of gains/losses on pooled investment funds measured at FVPL charged	19	0.000	0.000	0.000	(5.292)	0.000	0.000	0.000	0.000	0.000	(5.292)
Amount by which finance costs (proportion of previous years' premiums) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	19	0.000	0.000	0.000	0.000	(0.278)	0.000	0.000	0.000	0.000	(0.278)
Amount by which finance costs (capital loan impairments) charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	19	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Employer's pension contributions and direct payments to pensioners payable in the year	46	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	(64.416)	(64.416)
Deferred Capital Receipts becoming usable		0.883	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.883
Dedicated Schools Grant (DSG) closing deficit balance	36	0.000	0.000	0.000	0.000	0.000	0.000	0.000	3.893	0.000	3.893
Financing of capital expenditure	15	0.000	0.000	(55.813)	0.000	0.000	0.000	0.000	0.000	0.000	(55.813)
Adjustments between accounting basis and funding basis		**0.508**	**46.858**	**33.179**	**(5.292)**	**(0.278)**	**(0.792)**	**(9.065)**	**3.893**	**92.313**	**161.324**
Reserves movements											
Transfer to Earmarked Reserves	27	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Transfer from Earmarked Reserves	27	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total movements		**0.508**	**46.858**	**33.179**	**(5.292)**	**(0.278)**	**(0.792)**	**(9.065)**	**3.893**	**92.313**	**161.324**
BALANCE AT 31 MARCH 2022		**(0.579)**	**(787.970)**	**(411.877)**	**(1.557)**	**4.562**	**7.523**	**0.077**	**5.050**	**811.883**	**(372.888)**

Revaluation Reserve

The reserve contains only revaluation gains accumulated since 1 April 2007, this being the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance in the Capital Adjustment Account.

	Note	Carrying Value £m	Revaluation Reserve £m
31 March 2023			
Property, Plant and Equipment	12	1,884.324	900.575
Heritage Assets	13	60.011	55.770
Assets Held for Sale	17	2.539	1.973
		1,946.874	**958.318**
31 March 2022			
Property, Plant and Equipment	12	1,696.787	727.917
Heritage Assets	13	63.423	58.619
Assets Held for Sale	17	2.396	1.434
		1,762.606	**787.970**

Capital Adjustment Account

This reserve includes timing differences arising between the financing of purchasing new, or enhancing, Council assets and the utilising of those assets in the Council's accounts (known as depreciation). It is not available for future spending.

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Council uses the account to manage premiums paid and discounts received on early redemption of loans. Premiums are debited and discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of General Reserve to the account in the Movement in Reserves Statement. Over time, the expense is posted back to General Reserve in accordance with statutory arrangements for spreading the burden on Council Tax. In the Council's case, the balance on the Account at 31 March will be charged to the General Reserves over the next 40 years.

Pooled Investments Adjustment Account
The Pooled Investments Adjustment Account contains the cumulative gains and losses relating to the valuation of financial assets held at Fair Value through Profit or Loss in accordance with the temporary statutory override MHCLG has issued. The override was originally effective for financial years 2018-19 to 2022-23 and has since been extended for a further two years to 2024-25.

Deferred Capital Receipts Reserve
The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

Pensions Reserve
The Pensions Reserve absorbs the timing differences from the different arrangements for accounting for post-employment benefits and funding benefits in accordance with statute. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as benefits are earned by employees, updating the liabilities to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require a benefit earned to be financed as the Council makes employer's contributions or pays any pensions for which it is directly responsible. The credit balance on the Pensions Reserve at 31 March 2023 shows a small surplus between the benefits earned by past and current employees and the resources that the Council has set aside to meet them. The Funding Strategy adopted by the Pension Fund will ensure that an appropriate level of funding will have been set aside by the time the benefits come to be paid.

Collection Fund Adjustment Account
The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as they fall due from Council Tax and Business Rates payers, compared with the statutory arrangements for paying across amounts to the General Reserve from the Collection Funds.

Dedicated Schools Grant (DSG) Adjustment Account
The Dedicated Schools Grant (DSG) Adjustment Account separates schools' budget deficits from the General Reserve Balance for a period of six financial years from 2020-21. Deficits arise where schools' budget expenditure exceeds that of available funding provided through the DSG. Where a local authority has a closing deficit balance on its schools' budget at 31 March for the financial years 2020-21 to 2025-26, it must not charge the amount of that deficit to a revenue account. The local authority must record any such deficit in a separate account established solely for the purpose of recording deficits relating to its schools' budget. The DSG Adjustment Account carries forward the deficit to be funded from future DSG income.

Accumulated Absences Account
The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Reserve Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Reserve Balance is neutralised by transfers to or from the account.

59. EXTERNAL AUDIT COSTS

2021-22 £m		2022-23 £m
	Audit Fees	
0.097	External Audit Fees[1]	0.128
0.032	External Audit Fees - Additional Fees for Prior Year	0.006
0.004	External Audit Fees - Teachers' Pension Scheme	0.005
0.133		**0.139**

[1]For 2022-23 external audit fees include scale fees and expected additional fees in respect of the 2022-23 external audit, which are recurring but are not included in the scale fees.

60. MEMBERS' ALLOWANCES

Payments made to the Council's elected Members during the year were:

2021-22 £m		2022-23 £m
1.143	Allowances	1.170
0.012	Expenses	0.016
1.155		**1.186**

In addition to these payments during the year, the Council has also accrued a further £0.056m at 31 March 2023, in respect of the 2022-23 pay award for elected Members, which was approved at the full Council meeting on 22 March 2023, backdated to 1 April 2022 and paid following the year-end, in April 2023.

61. OFFICERS' REMUNERATION

The definition of a Senior Officer is:

- An officer whose salary is £150,000 or more.
- A statutory chief officer as per section 2(6) of the Local Government and Housing Act 1989.
- A non-statutory chief officer as per section 2(7) of the Local Government and Housing Act 1989.
- An officer reporting to the Head of Paid Service.

The following notes and changes in respect of the Council's Senior Officers which occurred during 2021-22 and 2022-23 are relevant to the table of remuneration paid to the Council's Senior Officers below:

- [1]The Executive Director of Adult Social Care and Health left the Council on 12 March 2023.
- [2]The Interim Executive Director of Adult Social Care and Health was appointed on 13 March 2023.
- [3]The Executive Director of Childrens' Services left the Council on 4 October 2021.
- [4]The new Executive Director of Childrens' Services commenced this employment on 6 December 2021.
- [5]Emma Alexander, the Managing Executive Director, Commissioning, Communities and Policy, became the Managing Director on 6 December 2021.
- [6]The Interim Director of Economy, Transport & Environment left the Council on 31 May 2021.
- [7]The Executive Director of Place commenced this employment on 17 May 2021.
- [8]The Director of Finance and ICT became the Interim Executive Director of Corporate Services & Transformation (Section 151 Officer) on 10 January 2022, returned to the position of Director of Finance and ICT on 4 July 2022, and left the Council on 2 January 2023.
- [9]The Interim Director of Finance and ICT was appointed on 3 January 2023.
- [10]The Executive Director of Corporate Services & Transformation was appointed on 4 July 2022.
- [11]The Director of Public Health left the Council on 31 August 2022.
- [12]The new Director of Public Health commenced this employment on 1 September 2022.
- [13]The Director of Community Services left the Council on 6 April 2021 and was not replaced.
- [14]The Director of Organisation, Development and Policy and the Director of Property no longer reported directly to the Head of Paid Service from 10 January 2022, and as a result their 2021-22 remuneration disclosed in the table only reflects the period up to that date.

2021-22					2022-23			
Salary	Restated Employer's Pension Contributions	Compensation for Loss of Employment	**Total Remuneration 2021-22**		Salary	Employer's Pension Contributions	Compensation for Loss of Employment	**Total Remuneration 2022-23**
£	£	£	**£**		£	£	£	**£**
127,403	19,747	0	**147,151**	Executive Director of Adult Social Care and Health[1]	112,671	17,464	0	**130,136**
0	0	0	**0**	Interim Executive Director of Adult Social Care and Health[2]	5,368	832	0	**6,200**
66,861	10,364	0	**77,225**	Executive Director of Children's Services[3]	0	0	0	**0**
41,141	6,377	0	**47,518**	Executive Director of Children's Services[4]	131,491	20,381	0	**151,873**
102,511	15,889	0	**118,400**	Managing Executive Director, Commissioning, Communities and Policy[5]	0	0	0	**0**
53,693	8,322	0	**62,016**	Managing Director[5]	166,908	25,871	0	**192,779**
19,040	0	0	**19,040**	Interim Director of Economy, Transport & Environment[6]	0	0	0	**0**
114,973	17,821	0	**132,794**	Executive Director of Place[7]	133,525	20,696	0	**154,221**
78,971	12,240	0	**91,211**	Director of Finance and ICT[8]	52,400	8,122		**60,523**
0	0	0	**0**	Interim Director of Finance and ICT[9]	21,719	3,367	0	**25,086**
0	0	0	**0**	Executive Director of Corporate Services & Transformation[10]	99,067	15,355	0	**114,422**
27,917	4,327	0	**32,244**	Interim Executive Director of Corporate Services & Transformation (Section 151 Officer)[8]	31,235	4,841	0	**36,076**
103,169	21,335	0	**124,504**	Director of Public Health[11]	42,987	9,371	0	**52,358**
0	0	0	**0**	Director of Public Health[12]	55,833	12,171	0	**68,004**
1,232	191	0	**1,423**	Director of Community Services[13]	0	0	0	**0**
94,532	14,652	0	**109,185**	Director of Legal and Democratic Services	98,803	15,314	0	**114,118**
76,934	11,925	0	**88,859**	Director of Organisation, Development and Policy[14]	0	0	0	**0**
78,545	12,174	0	**90,719**	Director of Property[14]	0	0	0	**0**

Employer's Pension Contributions in the Council's Senior Officers' Remuneration table only include the future service cost, which is the primary employer's pension contribution rate multiplied by the Senior Officer's pensionable pay.

The Council's employees earning above £50,000 during the year have been paid the following amounts:

2021-22 No of Employees					2022-23 No of Employees			
School Staff	Senior Officers	Other	Total	Remuneration Between:	School Staff	Senior Officers	Other	Total
127	0	94	**221**	£50,000 and £54,999	139	0	121	**260**
105	0	58	**163**	£55,000 and £59,999	106	0	65	**171**
76	0	56	**132**	£60,000 and £64,999	86	0	68	**154**
63	1	17	**81**	£65,000 and £69,999	64	0	16	**80**
31	0	7	**38**	£70,000 and £74,999	41	0	10	**51**
7	0	1	**8**	£75,000 and £79,999	12	1	4	**17**
5	0	4	**9**	£80,000 and £84,999	7	1	2	**10**
2	0	1	**3**	£85,000 and £89,999	2	0	2	**4**
4	1	6	**11**	£90,000 and £94,999	1	1	3	**5**
2	0	2	**4**	£95,000 and £99,999	3	2	2	**7**
1	3	0	**4**	£100,000 and £104,999	1	1	0	**2**
1	1	1	**3**	£105,000 and £109,999	1	0	1	**2**
0	1	0	**1**	£110,000 and £114,999	1	1	0	**2**
1	0	0	**1**	£115,000 and £119,999	0	0	1	**1**
0	0	0	**0**	£120,000 and £124,999	1	0	0	**1**
0	1	0	**1**	£125,000 and £129,999	0	0	1	**1**
0	0	0	**0**	£130,000 and £134,999	0	2	0	**2**
0	1	0	**1**	£155,000 and £159,999	0	0	0	**0**
0	0	0	**0**	£165,000 and £169,999	0	1	0	**1**
425	**9**	**247**	**681**		**465**	**10**	**296**	**771**

Where the total annual salary received by employees that have held Senior Officers' roles at any point during the year exceeds £50,000, they have also been included in the table above, in addition to the Senior Officers' Remuneration table.

Remuneration includes gross income and compensation for loss of employment.

62. TERMINATION BENEFITS

The Council has terminated the contracts of a number of employees in 2022-23, incurring liabilities of £1.255m (2021-22: £1.358m). The termination benefits are split by banding below:

	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2021-22 actual	2022-23 actual	2021-22 actual	2022-23 actual	2021-22 actual	2022-23 actual	2021-22 actual	2022-23 actual
							£m	£m
£0-£20k	31	55	19	29	50	84	0.335	0.458
£20k-£40k	4	6	8	4	12	10	0.351	0.266
£40k-£60k	0	2	3	4	3	6	0.170	0.320
£60k-£80k	1	3	3	0	4	3	0.277	0.211
£80k - £100k	0	0	1	0	1	0	0.098	0.000
£100k-£150k	1	0	0	0	1	0	0.127	0.000
	37	**66**	**34**	**37**	**71**	**103**	**1.358**	**1.255**

63. POOLED BUDGETS

The Council has two pooled budget arrangements, details of which are set out below.

Better Care Fund

On 1 April 2015 the Derbyshire Better Care Fund (BCF) became operational. The Council was a partner to the fund along with the NHS Northern Derbyshire Clinical Commissioning Group, NHS Southern Derbyshire Clinical Commissioning Group, NHS Hardwick Clinical Commissioning Group, NHS Erewash Clinical Commissioning Group and NHS Tameside and Glossop Clinical Commissioning Group. There have been a number of changes to the structure of the Council's NHS partners in the BCF since then.

In 2019-20 the NHS Northern Derbyshire Clinical Commissioning Group, NHS Southern Derbyshire Clinical Commissioning Group, NHS Hardwick Clinical Commissioning Group and NHS Erewash Clinical Commissioning Group combined to become the NHS Derby and Derbyshire Clinical Commissioning Group. The NHS Tameside and Glossop Clinical Commissioning Group remained separate. On 1 July 2022 the NHS Derby and Derbyshire Integrated Care Board (ICB) was established and includes all the Clinical Commissioning Groups with which the Council is a partner in the BCF.

The operation of the pool is ultimately managed by the Derbyshire Health and Wellbeing Board represented by members from each of the partners. The Fund operates as a Section 75 pooled budget and total agreed contributions to the pool are £119.702m (2021-22, £108.604m). Derbyshire County Council's contribution towards the pool is £48.912m, which represents 40.86% of the total contributions (2021-22, £44.838m, 41.29%).

The BCF aims to improve the provision of health and social care. All partners contribute to a pooled fund and the overarching objective of the fund is to support the integration of health and social care and align commissioning as agreed between the partners.

Under the agreement, the BCF Plan for Derbyshire is split into two areas:

- Contributions to a pooled fund by all partners and commissioned by Derbyshire County Council who are host and lead commissioner
- Commissioning of existing funded schemes directly by each partner.

2021-22 £m	Pool Share %	Income	2022-23 £m	Pool Share %
44.838	41.29	Derbyshire County Council	48.912	40.86
61.139	56.29	NHS Derby and Derbyshire ICB	70.239	58.68
2.627	2.42	NHS Tameside and Glossop CCG	0.551	0.46
108.604	**100.00**		**119.702**	**100.00**

2021-22 £m	Expenditure	2022-23 £m
23.759	ICB schemes for community health services	28.259
7.898	Disabled Facilities Grant	7.898
7.234	Equipment	6.712
9.861	Reablement	10.419
3.209	Joint working	0.393
0.439	Administration	0.456
2.304	Care Bill	2.435
2.207	Carers	2.332
1.089	Mental health	1.133
15.724	Support for people to remain out of hospital	21.063
31.055	Improved Better Care Fund	35.733
3.627	Winter Pressures	0.000
0.000	Local Authority Discharge Grant	3.023
108.406	**Total Expenditure**	**119.856**
0.198	**Net position for Pool**	**(0.154)**

Children with Complex Needs pooled budget arrangement

The Children with Complex Needs pooled budget arrangement is jointly operated with the NHS Derby and Derbyshire ICB. The NHS Derby and Derbyshire ICB contributes 33% and the remainder is funded by the Council. Any surplus or deficit carries forward to offset the following year's contributions, as required by the partnership agreement. Any unspent amounts are transferred to an Earmarked Reserve set up for this purpose.

31 Mar 2022 £m		31 Mar 2023 £m
	Funding provided to the pooled budget:	
(4.824)	The Council	(4.788)
(2.376)	Derby and Derbyshire ICB	(2.353)
	Expenditure met by the pooled budget	
7.200	The Council	7.141
0.000	Derby and Derbyshire ICB	0.000
(0.000)	**(Surplus)/Deficit**	**0.000**
(0.000)	The Council's Share of the (Surplus)/Deficit	0.000

34. TRUST FUNDS AND OTHER FUNDS

Trust Funds are made up of donations or bequests made to the Council. Other Funds include £4.684m held for residents in the Council's residential care homes and £3.801m on behalf of the Constituent Councils which will form part of the East Midlands Combined County Authority (EMCCA). These Trust Funds and Other Funds are not part of the Council's Accounts.

2021-22				2022-23		
Trust Funds £m	**Other Funds £m**	**Total £m**		**Trust Funds £m**	**Other Funds £m**	**Total £m**
1.211	4.662	5.873	Opening Balance	0.215	5.990	6.205
0.031	1.423	1.454	Add Income	0.012	13.166	13.178
(1.027)	(0.095)	(1.122)	Less Expenditure	(0.010)	(10.671)	(10.681)
0.215	**5.990**	**6.205**	**Closing Balance**	**0.217**	**8.485**	**8.702**
			The funds are represented by:			
0.025	0.000	0.025	Investments	0.023	0.000	0.023
0.190	5.990	6.180	Cash & temporary loans	0.193	8.485	8.678
0.215	**5.990**	**6.205**	**Total Assets**	**0.217**	**8.485**	**8.702**
9	10	19	No of Funds (actual not £m)	9	14	23

Cabinet approved the transfer of 47 educational charitable Trust Funds, for which the Council is the sole Trustee, to Foundation Derbyshire on 23 April 2020. 44 of these funds were completely transferred in 2020-21. The value of the funds transferred in 2020-21 was £0.295m, with £1.004m transferred in 2021-22. At 31 March 2023 the total value of the remaining funds to be transferred was £0.071m (31 March 2022: £0.076m).

35. INCOME FROM CONTRACTS WITH SERVICE RECIPIENTS

A service recipient is a party that has contracted with the Council to obtain goods or services which are the output of the Council's normal operating activities. Such a contract may be in writing, be made orally or be in accordance with customary business practice. The table below identifies income amounts in the CIES arising from contracts with service recipients.

	Income	
Type of Goods/Service	2021-22 £m	2022-23 £m
Adult Care		
Residential Care Homes	30.609	30.480
Nursing Homes	8.231	11.055
Co-funding Charge	8.607	8.628
Shared Lives	0.578	0.580
Direct Care Trading	0.223	0.243
Other	0.191	0.178
Sub Total	**48.439**	**51.164**
Childrens Services and Safeguarding and Education		
Catering	8.483	10.355
School Food and Meals	4.471	4.752
Extended School Services	1.422	1.874
Sport/Outdoor Education	0.923	1.650
Adult Community Education	0.143	0.207
Other	2.443	2.714
Sub Total	**17.885**	**21.552**
Corporate Services and Budget		
PFI Services to Academies	5.451	5.916
Pension Fund Administration	2.802	3.013
Registrar Services	1.966	1.968
Property Repairs, Maintenance, Cleaning and Facilities Management	1.533	1.094
Legal Services	1.241	0.600
Human Resource Services	0.467	0.444
Recruitment and Payroll Services	0.436	0.438
Financial Management	0.369	0.432
ICT Support	0.293	0.090
Other	0.180	0.707
Sub Total	**14.738**	**14.702**

	Income	
Type of Goods/Service	2021-22 £m	2022-23 £m
Clean Growth and Regeneration		
Other	0.199	0.347
Sub Total	**0.199**	**0.347**
Health and Communities		
Other	0.118	0.097
Sub Total	**0.118**	**0.097**
Highways and Transport		
Vehicle Maintenance	1.730	1.836
Pay and Display Parking	0.929	1.115
New Roads and Street Works Act Fees	1.384	0.958
Cross Boundary Bus Services	0.237	0.769
Licence Fees (e.g. skip/scaffold permits)	0.805	0.729
Bus Passes and Tickets	0.181	0.235
Highways & Lighting Works	0.250	0.123
Other	0.525	0.687
Sub Total	**6.041**	**6.452**
Infrastructure and Environment		
Commercial Waste Disposal	2.178	2.069
Inspection Fees (S38/S278 Highways Act)*	3.448	1.877
Countryside Shop Merchandise	1.000	0.948
Land Searches	0.169	0.245
Other	0.206	0.166
Sub Total	**7.001**	**5.305**
Strategic Leadership, Culture, Tourism and Climate Change		
Other	0.172	0.197
Sub Total	**0.172**	**0.197**
Overall Total	**94.593**	**99.816**

* Inspection Fees (S38/278 Highways Act) income is disclosed under the Infrastructure and Environment portfolio (previously Highways and Transport portfolio) from 2022-23.

Amounts included in the Balance Sheet for contracts with service recipients:

31 Mar 2022 £m		31 Mar 2023 £m
9.211	Receivables	5.902
0.647	Contract Assets	0.480
(1.624)	Contract Liabilities	(1.306)
8.234	**Total Included in Net Assets**	**5.076**

Receivables and Contract Assets are included within Amounts Owed to the Council in the Debtors analysis (Note 21).

Contract Liabilities are included within Income in Advance to the Council in the Creditors analysis (Note 23).

Changes in the Contract Assets and Contract Liabilities balances during the year are as follows:

2021-22			2022-23	
Contract Assets £m	**Contract Liabilities £m**		**Contract Assets £m**	**Contract Liabilities £m**
0.000	(1.624)	Cash received before obligations fulfilled	0.000	(1.306)
0.000	1.624	Obligations relating to contract liabilities at the start of the year fulfilled	0.000	1.624
0.647	0.000	Obligations fulfilled before payment is due	0.480	0.000
(0.647)	0.000	Transfers from Contract Assets to Receivables as payment became due	(0.647)	0.000
0.000	**0.000**	**Movement in Contract Assets and Liabilities**	**(0.167)**	**0.318**
0.647	(1.624)	Contract Assets and Liabilities at the start of the year	0.647	(1.624)
0.647	**(1.624)**	**Contract Assets and Liabilities at the end of the year**	**0.480**	**(1.306)**

The value of the Contract Liabilities presented at the end of the year represents the value of income that is expected to be recognised in the future, relating to obligations that are unsatisfied (or partially unsatisfied) at the end of the year. All amounts are expected to be realised no later than one year from the year ended 31 March 2023.

The Council only recognises income at an amount that corresponds directly with the value to the service recipients of the Council's performance to the end of the year.

Performance obligations are deemed to be satisfied over time, as opposed to at a point in time, in respect of the following significant income streams:

- Residential Care, Nursing Home and Co-funding charges
- PFI Services to Academies
- Pension Fund Administration
- Vehicle Maintenance – fixed priced annual contracts

This is a faithful depiction as these services are delivered to and the benefits consumed by the service recipients simultaneously. The Council has a right to receive fixed payments from service users for each day of service provided, therefore it recognises income to the amount that it has the right to invoice according to the duration of the service provision.

Performance obligations are also deemed to be satisfied over time, as opposed to at a point in time, in respect of the following significant income streams:

- Property Repairs, Maintenance, Cleaning and Facilities Management

This is a faithful depiction as the Council has an enforceable right to receive income for performance completed to date. The Council recognises income based on the costs incurred to satisfy the performance obligations.

Performance obligations are also deemed to be satisfied over time, as opposed to at a point in time, in respect of the following significant income stream:

- Commercial Waste Disposal

This is a faithful depiction as the Council has an enforceable right to receive income for performance completed to date. The Council recognises income based on the volume of waste processed which fulfils the terms of these contracts.

Performance obligations are deemed to be satisfied at a point in time, in respect of the following significant income streams:

- Inspections under Section 38 and 278 of the Highways Act
- Catering and School Food and Meals
- Extended School Services
- Sport/Outdoor Education
- Registrar Services
- Vehicle Maintenance – specific jobs

In respect of these services, income is only recognised when the contracted work has been completed.

36. DEDICATED SCHOOLS GRANT (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). The grant is ring-fenced and can only be applied to meet expenditure properly included in the Schools' Budget as defined in The School and Early Years Finance (England) Regulations 2020.

The Schools' Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools' Budget (ISB), which is divided into a budget share for each local authority school. An in-year adjustment has been made comprising an addition to the 2022-23 grant receipts for Early Years provision which is due to be received in 2023-24, following final calculation of the amount due from the Department for Education.

Actual central expenditure includes commitments that remain unspent as at the end of the financial year. These commitments have been transferred to an earmarked reserve and form part of the DSG balance. Details of the deployment of the DSG receivable for 2022-23 are as follows:

	2022-23		
	Central Expenditure £m	Individual Schools Budget £m	Total £m
Final DSG for 2022-23 before Academy and High Needs Recoupment			672.551
Academy and High Needs Recoupement for 2022-23			(287.162)
Total DSG after Academy and High Needs Recoupment for 2022-23			**385.389**
Plus: Brought Forward from 2021-22			0.738
Less: Carry Forward to 2023-24 agreed in advance			(0.607)
Agreed initial budgeted distribution in 2022-23	**92.862**	**292.658**	**385.520**
In-year adjustments	0.000	0.297	0.297
Final budgeted distribution for 2022-23	**92.862**	**292.955**	**385.817**
Less: Actual Central Expenditure	(94.514)		(94.514)
Less: Actual ISB Deployed to Schools		(291.491)	(291.491)
In-year Carry Forward to 2023-24	**(1.652)**	**1.464**	**(0.188)**
Plus: Carry Forward to 2023-24 agreed in advance			0.607
Carry Forward to 2023-24			**0.419**
Addition to DSG Unusable Reserve at 31 March 2023			0.000
DSG Unusable Reserve at 1 April 2023			(5.050)
Total DSG Unusable Reserve at 31 March 2023*			**(5.050)**
Net DSG Position at 31 March 2023			**(4.631)**

*The School and Early Years Finance (England) Regulations 2020 and Regulation 30L of The Local Authorities (Capital Finance and Accounting) require that the Council’s closing deficit balance of DSG Reserves at 31 March 2023 is held within a statutorily ring-fenced unusable reserve – the DSG Adjustment Account. For further details refer to Note 28.

DSG grant income of £385.686m in Note 37 below is the sum of the £385.389m 'Total DSG after Academy and High Needs Recoupment for 2022-23 and the £0.297m 'In-year adjustment' in the table above.

37. GRANT INCOME

Revenue Grants		Income 2021-22	Income 2022-23
		£m	£m
Dedicated Schools Grant (DSG)	ESFA	373.637	385.686
Public Health Grant	DHSC	42.607	43.803
Pupil Premium Grant	ESFA	18.676	20.458
Household Support Fund	DWP	5.404	10.808
Disabled Facilities Grant	DLUHC	7.898	7.898
School Supplementary Grant	ESFA	0.000	7.347
Public Health Contain Outbreak Management Fund	DHSC	5.539	6.495
EFA Post 16	ESFA	5.721	5.383
Universal Free School Meals for Infant Pupils	ESFA	5.320	5.128
DACES AEB	ESFA	4.636	4.643
PE and Sport Premium Grant	ESFA	4.482	4.444
Asylum Seeker Grant	HO	1.896	3.524
Recovery Premium	DfE	0.988	3.045
Discharge Grant	DLUHC	0.000	3.023
Holiday activities and food programme Grant	DfE	2.143	2.828
Market Sustainability & Fair Cost of Care	DHSC	0.000	2.448
Supporting Families	DLUHC	1.781	2.238
School-led tutoring Grant	DfE	0.400	1.763
Community Renewal Fund	DLUHC	0.000	1.525
Music Education Hub	Arts Council	1.417	1.420
Covid 19 Bus Services Support Grant	DfT	2.087	1.235
Homes for Ukraine Education and Childcare	ESFA	0.000	1.080
Multiply	DfE	0.000	1.063
Covid-19 Infection Control Fund Round 1	DHSC	5.293	0.000
Covid-19 Infection Control Fund Round 2	DHSC	3.935	0.000
Covid-19 Infection Control Fund Round 3	DHSC	5.990	0.000
Covid-19 Catch Up	ESFA	1.794	0.000
Public Health Community Testing	DHSC	1.196	0.000
Covid Local Support Grant	DWP	2.566	0.000
Workforce Recruit & Retention 1	DHSC	2.456	0.000
Workforce Recruit & Retention 2	DHSC	4.534	0.000
Other Grants*	Various	14.009	12.515
Total Departmental Income		**526.404**	**539.800**

Revenue Grants		Income 2021-22 £m	Income 2022-23 £m
Adult Social Care Grant	DHSC	27.617	37.627
Improved Better Care Fund	DHSC	34.682	35.732
Business Rates Relief Grant	DLUHC	15.365	18.797
Revenue Support Grant	DLUHC	13.813	14.249
Homes for Ukraine -Tariff	DLUHC	0.000	13.477
Private Finance Initiative	ESFA	10.504	10.504
Service Grant	DLUHC	0.000	7.781
Bus Service Improvement Plan	DfT	0.000	6.500
Independent Living Fund	DLUHC	2.534	2.534
New Homes Bonus	DLUHC	1.548	1.868
Covid-19 LA Support Grant	DLUHC	15.337	0.000
Covid-19 Sales, Fees and Charges	DLUHC	1.473	0.000
Local Council Tax Support Scheme	DLUHC	6.000	0.000
Other Grants	Various	3.868	4.976
Total Corporate Income		**132.741**	**154.045**
Total Grants		**659.145**	**693.845**

* Other Departmental Revenue Grants in 2022-23 include the following amounts which are required to be separately disclosed under specific grant conditions in the respective grant agreements:

- £0.844m Youth Justice Grant from the Youth Justice Board, to fund activities which improve the outcomes of children in the youth justice system.
- £0.133m Commissioner's Community Safety Grant, to assist in the funding of the work of the Derbyshire Youth Offending Service.
- £0.078m Turnaround Grant from the Ministry of Justice for a Turnaround Programme, which is a voluntary youth early intervention programme.

Capital Grants		Income 2021-22 £m	Income 2022-23 £m
Pothole Action Fund	DfT	7.373	15.108
Highways Maintenance Incentive Fund	DfT	10.533	10.533
School Condition Allowance	EFA	10.636	10.306
Special Provision Capital Fund	DfT	2.490	10.180
Devolved Formula Capital	DfE	1.601	5.226
Bus Service Improvement Plan	DfT	0.000	4.452
Integrated Transport	DfT	3.672	3.672
Active Travel	ATE	0.000	3.005
Highways Capital Maintenance	DfT	2.633	2.633
Buxton Crescent & Thermal Spa Project	HLF	0.596	0.000
Public Sector Decarbonisation Grant**	BEIS	(1.530)	(0.108)
Getting Building Fund*	DLUHC	(15.988)	(0.253)
Other Capital Grants	Various	15.773	13.249
		37.789	**78.003**

* Using the freedom and flexibilities given to LEP Accountable Bodies, during 2020-21 the Council utilised Getting Building Fund underspends of £16.241m to fund its capital programme. In 2022-23 the Council repaid the remaining £0.253m (2021-22: £15.988m) of this funding to the LEP.

** Underspent Public Sector Decarbonisation Grant of £0.108m (2021-22: £1.530m), in respect of projects not completed by 31 March 2023 (2021-22: 31 March 2022), repayable to the Department for Business, Energy and Industrial Strategy (BEIS).

38. CASH FLOW – INVESTING ACTIVITIES

2021-22 £m		2022-23 £m
(113.201)	Purchase of Non-Current Assets	(100.035)
(618.969)	Purchase of New Investments	(526.641)
10.039	Proceeds from Sale of Non-Current Assets	4.276
40.154	Capital Grants Received	72.956
557.566	Investments Redeemed	544.639
(124.412)		**(4.804)**

39. CASH FLOW – FINANCING ACTIVITIES

2021-22 £m		2022-23 £m
(156.506)	Repay Amounts Borrowed	(153.826)
(4.560)	Principal Repayment on PFI and Leases	(4.786)
209.000	New Short Term Loans	230.500
0.000	Net Payments/(Income) on behalf of Shadow Combined County Authority	4.782
47.934		**76.670**

40. CASH FLOW – OPERATING ACTIVITIES

2021-22 £m		2022-23 £m
(533.911)	Payments to and on behalf of employees	(563.792)
(731.720)	Other Operating Payments	(821.312)
348.821	Council Tax	369.811
14.570	Business Rates	16.884
13.813	Revenue Support Grant	14.249
629.458	Other Revenue Grants	650.879
320.802	Other Income	294.993
61.832	**Operating Costs of Providing Services**	**(38.287)**
(12.599)	External Interest Paid	(13.236)
(3.495)	Interest on PFI and Finance Leases	(3.243)
2.102	Interest Received	3.194
3.208	Dividends Received	3.365
51.048		**(48.207)**

41. RECONCILIATION OF NET SURPLUS/(DEFICIT) ON THE CIES TO THE OPERATING ACTIVITIES NET CASH FLOW

2021-22 £m		2022-23 £m
(169.443)	**Surplus/(Deficit) on the Provision of Services**	**(164.214)**
	Non Cash Transactions:	
41.133	Depreciation	43.902
24.085	Impairment	20.614
92.313	Movement in Pension Liability	85.744
(9.065)	Adjustment for Collection Fund	(2.145)
(5.292)	Investments Fair Value Movements	7.588
(2.128)	Movement in Revenue Debtors	(12.963)
(1.966)	Movement in Loss Allowances	5.419
41.002	Movement in Revenue Creditors	(21.181)
0.130	Movement in Inventories	(0.091)
(1.012)	Movement in Provisions	(1.051)
179.200	**Total Non Cash Transactions**	**125.836**
	Items Classified Elsewhere	
63.382	Net charge for Disposal of Non-Current Assets	53.131
15.697	Revenue Expenditure Funded from Capital Under Statute	15.043
(37.789)	Capital Grants	(78.003)
51.047		**(48.207)**

42. RECONCILIATION OF CASH FLOWS AND LIABILITIES ARISING FROM FINANCING ACTIVITIES

	31 Mar 2022 £m	Cash Flows £m	Non-Cash Changes £m	31 Mar 2023 £m
Current Borrowing	136.868	77.598	19.408	233.874
Non Current Borrowing	250.645	(0.925)	(17.123)	232.597
PFI and Finance Lease Liabilities	55.045	(4.786)	(0.261)	49.998
	442.558	**71.887**	**2.024**	**516.469**

Non-cash changes to the Council's liabilities include an increase of £19.409m in the carrying value of current borrowing and an equal decrease in the carrying value of non-current borrowing to recognise amounts falling due within twelve months of the balance sheet date. Interest of £2.286m was accrued in the year which increased the carrying value of liabilities. The remaining non-cash transactions represent a reduction in carrying value of £0.262m because of a movement between these liabilities and short-term creditors and debtors.

	31 Mar 2021 £m	Cash Flows £m	Non-Cash Changes £m	31 Mar 2022 £m
Current Borrowing	90.058	39.484	7.326	136.868
Non Current Borrowing	243.715	13.010	(6.080)	250.645
PFI and Finance Lease Liabilities	59.832	(4.560)	(0.227)	55.045
	393.605	**47.934**	**1.019**	**442.558**

43. LEASE TYPE ARRANGEMENTS

FINANCE LEASES – COUNCIL AS LESSEE

The Council has a number of property assets that were acquired under finance leases. All assets are carried as Property, Plant and Equipment on the Balance Sheet. Note 12 shows the net value of assets held under Finance Leases.

The Minimum Lease Payments (MLP) are made up of the following:

2021-22 £m				2022-23 £m		
Interest	**Liability**	**MLP**		**Interest**	**Liability**	**MLP**
0.488	**0.400**	**0.888**	**Within 1 year**	**0.457**	**0.423**	**0.880**
1.637	1.281	2.918	1 to 5 years	1.526	1.079	2.605
2.439	2.565	5.004	More than 5 years	2.093	2.343	4.436
4.076	**3.846**	**7.922**	**Total Non-Current**	**3.619**	**3.422**	**7.041**
4.564	**4.246**	**8.810**		**4.076**	**3.845**	**7.921**

The MLP does not contain rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

OPERATING LEASES – COUNCIL AS LESSEE

The Council has a number of property assets (within PPE) under operating leases for:

- Delivery of local education.
- Youth information and clubs.
- Community and environmental purposes.
- Miscellaneous use, including office accommodation.

The Council does not have any vehicles, plant or equipment under operating leases (2021-22: four minibuses).

The MLP due under non-cancellable leases in future years in respect of these properties and vehicles will be payable over the following periods:

2021-22 £m				2022-23 £m		
PPE	**PVE**	**Total**		**PPE**	**PVE**	**Total**
1.032	0.067	1.099	Within 1 year	0.836	0.000	0.836
3.165	0.000	3.165	1 to 5 years	2.790	0.000	2.790
4.391	0.000	4.391	More than 5 years	3.832	0.000	3.832
8.588	**0.067**	**8.655**		**7.458**	**0.000**	**7.458**

There was no significant sub-letting of properties in 2022-23.

FINANCE LEASES – COUNCIL AS LESSOR

The Council has three properties that have been leased out upon receipt of a premium. With respect to these leases, there is no further lease income to be received and therefore there is no debtor held in the accounts. Details of the properties currently leased out are:

- Grassmoor Golf Centre to Grassmoor Golf Ltd on a 1,000-year lease, which commenced in 2002 for a one-off payment of £0.230m.
- Unit C1 Holmewood Business Park to SBK Property Limited on a 99-year lease, which commenced in 2015 for a one-off payment of £0.300m.
- Land at Welbeck Road to Old Bolsover Town Council on a 99-year lease, which commenced in 2020 for a one-off payment of £0.010m.

The Council also leases out:

- First-floor offices of Ripley Library to Derbyshire Healthcare NHS Foundation Trust on a 15-year lease, which commenced in 2014 for £0.014m each year.
- Nursery School on Windermere Road, Newbold to Kidz Planet Limited on a 10-year lease, which commenced in 2021 for £0.012m each year.
- Belper Community Hall to Belper Community Hall Steering Group on a 25-year lease which commenced in 2020 for £0.001m each year.
- Unit 5 Cobnar Wood Industrial Estate, Chesterfield to Serrations Limited on a 15-year lease which commenced in 2022 for £0.010m each year.
- The Donut Creative Arts Studio, Chesterfield to Fairplay on an 86-year lease which commenced in 2022 for £0.015m each year.

The rental income and the unguaranteed residual value of the asset, which relates to the estimated value of the property at the end of the lease (i.e. an estimated sale value), will be received over the following periods:

2021-22 £m					2022-23 £m			
Minimum Lease Payments	Unguaranteed Residual Value of Property	Gross Investment in the Lease	Unearned Finance Income		Minimum Lease Payments	Unguaranteed Residual Value of Property	Gross Investment in the Lease	Unearned Finance Income
0.022	0.000	0.022	0.013	Within 1 year	0.043	0.000	**0.043**	0.031
0.090	0.000	0.090	0.046	1 to 5 years	0.172	0.000	**0.172**	0.115
0.061	0.119	0.180	0.029	More than 5 years	0.925	0.207	**1.132**	0.787
0.173	**0.119**	**0.292**	**0.088**		**1.140**	**0.207**	**1.347**	**0.933**

The Council has no provisions for unrealised finance lease investments. The minimum lease payments do not contain rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

OPERATING LEASE – COUNCIL AS LESSOR

The Council leases out a number of property assets (PPE) under operating leases, including leases for:

- Economic development to provide suitable affordable accommodation for local businesses.
- Youth information and clubs.
- Community and environmental purposes.
- Siting electricity substations.

The minimum lease payments receivable under leases in future years are:

2021-22 £m				2022-23 £m		
Vehicles	Land & Building	Total		Vehicles	Land & Building	Total
0.000	0.735	0.735	Within 1 year	0.000	1.181	1.181
0.000	1.875	1.875	1 to 5 years	0.000	3.754	3.754
0.000	4.487	4.487	More than 5 years	0.000	4.767	4.767
0.000	**7.097**	**7.097**		**0.000**	**9.702**	**9.702**

The minimum lease payments do not contain rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

44. PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

There are three PFI schemes in which private sector providers build and maintain accommodation for use by the Council:

- Phase 1 – in 2001 the Council signed a contract for two secondary schools at Tupton and Chapel-en-le Frith. They were completed and occupied in April 2003 under a 26-year contract. Tupton Hall School became an Academy on 1 October 2019.
- Phase 2 – during 2004-05 the Council signed a contract for two further secondary schools at Newbold and Long Eaton which became operational in February 2006 under a 26-year contract. Long Eaton School became an Academy on 1 April 2011. Newbold School became an Academy, known as Outwood Academy Newbold, on 1 January 2015.
- Phase 3 – Schools provided under the Building Schools for the Future (BSF) programme opened in November 2010 at Bolsover and Springwell (Staveley). These were designed and built as PFI schools and will be operated on a 25-year contract. Bolsover School became an Academy on 1 October 2012. Springwell Community School became an Academy on 1 March 2020.

Payments
The Council makes an agreed payment each year (the unitary charge) which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards.

Although the payments that are made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed.

During 2017-18, the Council undertook a refinancing exercise of the BSF PFI debt, which reduced the interest charge on the long-term debt. This resulted in a one-off financial benefit of approximately £2.100m for the Council. The term of the loan and service level elements of the agreement all remain the same.

The liability outstanding to pay the contractor for capital expenditure incurred is shown below.

	2021-22			2022-23		
	Ph 1	Ph 2	BSF	Ph 1	Ph 2	BSF
	£m	£m	£m	£m	£m	£m
Unitary Charge Paid						
Delivery of services	3.246	2.983	4.121	2.687	3.104	4.318
Interest Payment	1.028	1.247	0.702	0.929	1.164	0.662
Reduction to Liability	1.426	1.300	1.440	1.525	1.383	1.480
Unitary Charge Paid	**5.700**	**5.530**	**6.263**	**5.141**	**5.651**	**6.460**
Loan Liability B Fwd	(14.781)	(19.542)	(25.428)	(13.355)	(18.242)	(23.988)
Reduction to Liability	1.426	1.300	1.440	1.525	1.383	1.480
Loan Liability C Fwd	**(13.355)**	**(18.242)**	**(23.988)**	**(11.830)**	**(16.859)**	**(22.508)**
Liability in Creditors	(1.525)	(1.383)	(1.479)	(1.631)	(1.471)	(1.521)
Non Current Liabilities	(11.830)	(16.859)	(22.509)	(10.199)	(15.388)	(20.987)
Loan Liability C Fwd	**(13.355)**	**(18.242)**	**(23.988)**	**(11.830)**	**(16.859)**	**(22.508)**

Payments remaining to be made under the PFI contract at 31 March are as follows:

	2021-22			2022-23		
	Ph 1	Ph 2	BSF	Ph 1	Ph 2	BSF
	£m	£m	£m	£m	£m	£m
Within one year:						
Service charge	2.437	2.233	3.317	2.437	2.233	3.317
Interest element	0.929	1.164	0.662	0.823	1.076	0.621
Repayment of liability	1.525	1.383	1.479	1.631	1.471	1.521
Two to five years:						
Service charge	9.747	8.930	13.266	9.747	8.930	13.266
Interest element	2.579	3.716	2.229	2.075	3.303	2.054
Repayment of liability	7.237	6.474	6.338	7.740	6.888	6.513
Six to ten years:						
Service charge	5.071	10.898	16.583	2.635	8.665	16.583
Interest element	0.492	2.015	1.750	0.172	1.352	1.503
Repayment of liability	4.593	10.385	8.958	2.459	8.500	9.205
Eleven to fifteen years:						
Service charge	0.000	0.000	11.907	0.000	0.000	8.591
Interest element	0.000	0.000	0.455	0.000	0.000	0.255
Repayment of liability	0.000	0.000	7.213	0.000	0.000	5.269

All of the PFI schools will be handed back to the Council (or the Governors of the School for Academies) when the relevant contract expires. In the case of the Phase 1 schools this will be on 28 April 2029, for the Phase 2 schools it will be 12 February 2032 and for the BSF schools on 31 October 2035.

Under the terms of the agreements, the Council is able to terminate the agreements at any time. If this were due to a contractor default the Council is entitled to re-tender the contract, otherwise the contractors would be entitled to compensation. The Council has step in rights, if action needs to be taken in connection with the services provided by any of the contractors because of a serious risk to the health or safety of persons or to discharge a statutory duty; and/or because an emergency has arisen.

Property, Plant and Equipment
The schools are recognised on the Council's Balance Sheet, except those which are Academies. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12.

45. DEFINED CONTRIBUTION PENSION SCHEMES

Teachers' Pension Scheme
Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is a defined benefit scheme which is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2022-23 the Council paid £42.779m to Teachers' Pensions (2021-22: £42.552m) in respect of teachers' retirement benefits. During 2022-23 the Employer's Contribution rate for the Teachers' Pension Scheme was 23.68% (2021-22: 23.68%).

NHS Pension Scheme
Former NHS employees working in the Surestart and Public Health fields that moved to the Council in 2008 and 2013, respectively, and some Public Health staff employed since then, are members of the NHS Pension Scheme, administered by the Department of Health and Social Care. The Scheme provides these employees with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is a multi-employer defined benefit scheme which is unfunded, and the Department of Health and Social Care uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme, which is consistent with the NHS method of accounting.

In 2022-23 the Council paid £0.559m to the NHS Pension Scheme (2021-22: £0.568m) in respect of the retirement benefits of these Council employees. The Employer's Contribution rate during 2022-23 for the NHS Pension Scheme was 20.68%, with 14.38% continuing to be collected through the Council's payroll, an additional 2.5% collected from the Council through invoicing and the remaining 3.8% being funded by the Department of Health and Social Care (2021-22: 20.68%, with 14.38% continuing to be collected through the Council's payroll, an additional 2.5% collected from the Council through invoicing and the remaining 3.8% being funded by the Department of Health and Social Care). No further disclosures are required because of the immateriality of the information.

46. DEFINED BENEFIT SCHEME

The Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- The Local Government Pension Scheme (LGPS), administered by Derbyshire County Council – this is a funded defined benefit final salary scheme, meaning the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- Arrangements for the award of discretionary post-retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pension liabilities, and cash has to be generated to meet actual pension payments as they eventually fall due.

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Reserve via the Movement in Reserves Statement.

Defined Benefit Transactions

The following defined benefit scheme transactions have occurred during the year:

	Notes/ Statement	LGPS 2021-22 £m	LGPS 2022-23 £m	Teachers 2021-22 £m	Teachers 2022-23 £m
Current service cost		139.209	131.285	0.000	0.000
Net interest cost	6	20.061	21.382	1.111	1.367
Past service costs & curtailments		0.816	0.649	0.000	0.000
Settlements		(4.468)	(4.335)	0.000	0.000
Benefits charged to the CIES		**155.618**	**148.981**	**1.111**	**1.367**
Remeasurement (gain)/loss		(303.020)	(921.038)	(1.933)	(5.912)
Total (Gain)/Loss		**(147.402)**	**(772.057)**	**(0.822)**	**(4.545)**
Movements in Reserves Statement:					
Reversal of charges made	28	(155.618)	(148.981)	(1.111)	(1.367)
Contributions - unfunded benefits	28	2.286	2.235	0.000	0.000
Employer's contributions payable	28	58.013	58.317	4.117	4.052

Assets and Liabilities in Relation to Post-Employment Benefits

Reconciliation of the present value of defined benefit plan liabilities (the defined benefit obligation) of the Council, from the start to the end of the year:

	Funded liabilities: LGPS 2021-22 £m	Funded liabilities: LGPS 2022-23 £m	Unfunded liabilities: Discretionary Benefits 2021-22 £m	Unfunded liabilities: Discretionary Benefits 2022-23 £m
Opening balance at 1 April	**3,360.078**	**3,320.908**	**57.592**	**52.653**
Current service cost	139.209	131.285	0.000	0.000
Interest cost	67.742	90.382	1.111	1.367
Contributions by participants	16.630	17.488	0.000	0.000
Remeasurement (gains)/losses	(169.254)	(1,063.580)	(1.933)	(5.912)
Benefits paid	(79.688)	(80.320)	0.000	0.000
Unfunded benefits paid	(2.286)	(2.235)	(4.117)	(4.052)
Effect of settlements	(12.339)	(8.054)	0.000	0.000
Past service costs	0.816	0.649	0.000	0.000
Closing balance at 31 March	**3,320.908**	**2,406.523**	**52.653**	**44.056**

The expected return on assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Reconciliation of the fair value of defined benefit plan Fund assets of the Council, from the start to the end of the year:

	LGPS	
	2021-22 £m	2022-23 £m
Opening balance at 1 April	**(2,393.147)**	**(2,561.678)**
Interest income	(47.681)	(69.000)
Other remeasurement loss/(gain)	(133.766)	142.542
Employer contributions	(58.013)	(58.317)
Contributions by participants	(16.630)	(17.488)
Benefits paid	79.688	80.320
Effect of settlements	7.871	3.719
Closing balance at 31 March	**(2,561.678)**	**(2,479.902)**

Scheme History

In previous years, net liabilities have had a substantial impact on the net worth of the Council as recorded in the Balance Sheet, shown in the table below, demonstrating the underlying commitments that the Council has in the long run to pay post-employment (retirement) plan benefits. Statutory arrangements for funding any deficit mean that the financial position of the Council remains healthy:

- the deficit on the LGPS will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the Fund Actuary;
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

However, at 31 March 2023, there is a total net LGPS surplus reported by the Actuary of £85.811m. IAS19 imposes a limit on the maximum amount of surplus which can be recognised in the Balance Sheet. The limit depends on factors unique to each employer and the employer chooses if and how to recognise any surplus in its published accounts. The Council has decided that the limit applies, and the Actuary has reflected this choice by carrying out instructed additional calculations. The calculated surplus restriction of £12.432m has been deducted from the reported LGPS net assets in the Council's Balance Sheet, to arrive at a revised total net LGPS surplus of £73.379m, which is reflected in the table below:

	Present value of liabilities: LGPS £m	Present value of liabilities: Discretionary Benefits £m	Restated Present Value of assets: LGPS £m	Restated (Surplus)/deficit in the Scheme: LGPS £m	Restated (Surplus)/deficit in the Scheme: Discretionary Benefits £m	**Restated Total £m**
2018-19	3,014.575	64.712	(2,144.029)	870.546	64.712	**935.258**
Restated 2019-20	2,600.059	55.041	(1,998.118)	601.941	55.041	**656.982**
Restated 2020-21	3,360.078	57.592	(2,393.147)	966.931	57.592	**1,024.523**
2021-22	3,320.908	52.653	(2,561.678)	759.230	52.653	**811.883**
2022-23	2,406.523	44.056	(2,479.902)	(73.379)	44.056	**(29.323)**

The total contributions expected to be made to the LGPS by the Council in the year to 31 March 2024 is £59.434m.

Basis for Estimating Assets and Liabilities
Liabilities have been assessed on an actuarial basis using the projected unit credit method, and an estimate of the pensions that will be payable in future years, dependant on assumptions including mortality rates and salary levels. Both the LGPS and Discretionary Benefits liabilities have been assessed by the Fund Actuary, with estimates for the Council's share of the Fund being based on the latest full valuation of the scheme as at 31 March 2022.

The principal assumptions used by the Fund Actuary have been:

	2021-22	**2022-23**
Mortality Assumptions:		
Longevity at 65 (current pensioners):		
-Men	21.1	21.0
-Women	23.8	24.0
Longevity at 65 (future pensioners):		
-Men	22.2	21.8
-Women	25.6	25.5
Inflation Rates:		
Increase in salaries (LGPS only)	3.90%	3.95%
Increase in pensions (CPI)	3.20%	2.95%
Discounting scheme liabilities	2.70%	4.75%

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below, showing the impact of a change:

At 31 March 2023:

	Local Government	
	Approximate increase to employer liability %	Approximate monetary amount £m
0.1% decrease in real discount rate	2	41.352
1 year increase in Member life expectancy	4	95.764
0.1% increase in salary increase rate	0	4.698
0.1% increase in pension increase rate (CPI)	2	37.246

At 31 March 2022:

	Local Government	
	Approximate increase to employer liability %	Approximate monetary amount £m
0.1% decrease in real discount rate	2	60.469
1 year increase in Member life expectancy	4	132.836
0.1% increase in salary increase rate	0	7.674
0.1% increase in pension increase rate (CPI)	2	52.283

The Fund Actuary has noted that in order to quantify the impact of a change in the financial assumptions used, the value of the scheme liabilities at 31 March 2023 has been calculated and compared on varying bases. The approach taken is consistent with that adopted to derive the IAS19 figures provided by the Fund Actuary for the accounts.

To quantify the uncertainty around life expectancy, the Fund Actuary has calculated the difference in cost to the Council, as a Fund employer, of a one-year increase in life expectancy. For sensitivity purposes, this is assumed to be an increase in the cost of benefits of around 3-5%. In practice the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

These figures have been derived based on the membership profile of the Council, as a Fund Employer, as at the date of the most recent actuarial valuation.

The return on the Fund in market value terms for the period to 31 March 2023 is based on actual Fund returns as provided by the Administering Authority. The actual total return for the period from 1 April 2022 to 31 March 2023 is a loss of 2.9% (2021-22: 7.5% gain).

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2021-22 %	2022-23 %
Equity investments	59.6	61.7
Debt instruments:		
Government bonds	8.4	8.1
Other bonds	14.8	14.5
Property	7.9	7.9
Cash and cash equivalents	4.5	2.9
Other assets	4.8	4.9
Total	**100.0**	**100.0**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pension Reserve can be analysed into the following categories, measured as a percentage of assets or liabilities at the balance sheet date:

	LGPS		Teachers
	Restated Actuarial gain / (loss) on assets over total assets	Actuarial (gain) / loss on liabilities over total liabilities	Actuarial (gain) / loss on liabilities over total liabilities
2018-19	2.84%	7.55%	3.76%
Restated 2019-20	(8.88%)	(20.04%)	(12.25%)
2020-21	15.43%	20.84%	9.73%
2021-22	5.22%	(5.10%)	(3.67%)
2022-23	(5.75%)	(44.20%)	(13.42%)

Forecast for next year

At 31 March 2023 for 2023-24:

	Local Government Pension Scheme £m	£m	Teachers Pensions £m	£m
Projected service cost				
Estimated pay:	282.942		0.000	
Service cost (% of pay)	21.6%		n/a	
Implied service cost next year:		59.465		0.000
Net interest (income)/cost		(4.094)		1.988
Administration expenses		1.698		0.000
Total pension cost recognised		**57.069**		**1.988**
Projected employer contributions				
Normal contributions	(59.434)		(4.462)	
Total employer contributions next year		**(59.434)**		**(4.462)**
Current (surplus)/deficit		(73.379)		44.056
Projected (surplus)/deficit next year		**(75.744)**		**41.582**

At 31 March 2022 for 2022-23:

	Restated Local Government Pension Scheme £m	£m	Teachers Pensions £m	£m
Projected service cost				
Estimated pay:	270.230		0.000	
Service cost (% of pay)	46.4%		n/a	
Implied service cost next year:		123.699		0.000
Net interest cost		21.379		1.365
Administration expenses		1.621		0.000
Total pension cost recognised		**146.699**		**1.365**
Projected employer contributions				
Normal contributions	(57.422)		(4.244)	
Total employer contributions next year		**(57.422)**		**(4.244)**
Current deficit		759.230		52.653
Projected deficit next year		**848.507**		**49.774**

47. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks. The annual Treasury Management Strategy outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

Detailed information can be found in the annual Capital Programme Approvals, Treasury Management and Capital Strategies for 2023-24 which is available on the Council's Derbyshire Democracy website under the Council meeting on 15 February 2023:

Capital Programme Approvals, Treasury Management and Capital Strategies for 2023-24

Credit risk

Credit risk is the potential for the Council to suffer loss due to another party defaulting on its financial obligations.

The Council's maximum exposure to credit risk is deemed to be the gross carrying amount of the financial assets held.

The Council defines default as a customer or borrower's failure to pay amounts owed to it. A counterparty is likely to be considered in default if:

- It is in administration, insolvency or winding up proceedings.
- It has entered into a scheme of arrangement with its creditors.
- It is in default on similar financial assets.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria. The financial institutions' credit ratings are monitored throughout the year and significant changes are reported to Cabinet. The Annual Investment Strategy also imposes a maximum sum to be invested and a maximum duration of each loan for counterparties.

It is the Council's policy to write-off any debt where all reasonable measures have been taken to recover the debt or after the Chief Financial Officer and the Director of Legal Services have established that the debt is irrecoverable due to bankruptcy or insolvency.

The Council's maximum exposure to credit risk in relation to its cash deposits, investments in banks and building societies and money market funds is £396.790m, all of which is deposited in the UK, except for £33.205m in global pooled funds. A risk of non-recovery applies to all of the Council's deposits, but there was no evidence at 31 March 2023 that this was likely to crystallise.

The Council's potential maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions is £31.793m. These financial assets include trade debtors (£30.865m), transferred debt (£0.034m), contract assets (£0.480m) and lease receivables (£0.415m). The Council recognised an allowance for credit losses which reduced the carrying amount of these financial assets by £5.940m. Customers for goods and services are vetted, taking into account their financial position, past experience and other factors. The Council does not generally allow credit for its trade debtors.

To determine whether there has been a significant increase in the credit risk of an investment, cash or cash equivalent the Council considers a range of factors including whether its credit rating has fallen below investment grade (BBB-), declining financial performance, a fall in the value of collateral or the quality of guarantees given and any adverse business or economic conditions impacting on the investment.

The profile of these assets by credit rating (AAA is the strongest credit rating) is as follows:

	AAA or equivalent £m	AA or equivalent £m	A or equivalent £m	Rated Not Strong £m	Not Rated £m	Trade Debtors and Transferred Debt £m	Total £m
Cash and cash equivalents	0.000	23.529	46.360	0.000	0.000	0.000	69.889
Investments	0.000	219.036	30.277	0.000	74.682	0.000	323.995
Trade Debtors and Transferred Debt	0.000	0.000	0.000	0.000	0.000	25.853	25.853
Total Net Carrying Amount	**0.000**	**242.565**	**76.637**	**0.000**	**74.682**	**25.853**	**419.737**

	AAA or equivalent £m	AA or equivalent £m	A or equivalent £m	Rated Not Strong £m	Not Rated £m	Trade Debtors and Transferred Debt £m	Total £m
Loss Allowance is measured at 12-month expected credit losses because:							
There has been no significant increase in credit risk since initial recognition	0.000	23.384	76.689	0.000	0.000	0.000	**100.073**
Loss Allowance is measured at lifetime expected credit losses because:							
Credit risk has increased significantly since initial recognition	0.000	0.000	0.000	0.000	13.568	0.000	**13.568**
Financial assets have become credit impaired	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
Allowed under the simplified approach, i.e. Trade Debtors	0.000	0.000	0.000	0.000	0.000	25.250	**25.250**
No Loss Allowance as relevant statutory provisions prevent default:							
Counterparty is Central Government or another local authority	0.000	219.181	0.000	0.000	0.000	6.543	**225.724**
No Loss Allowance, Other:							
Financial assets measured at Fair Value	0.000	0.000	0.000	0.000	63.968	0.000	**63.968**
Total Gross Carrying	**0.000**	**242.565**	**76.689**	**0.000**	**77.536**	**31.793**	**428.583**
Loss Allowances	0.000	0.000	(0.052)	0.000	(2.854)	(5.940)	**(8.846)**
Total Net Carrying Amount	**0.000**	**242.565**	**76.637**	**0.000**	**74.682**	**25.853**	**419.737**

The past due amount for trade debtors can be analysed by age as follows:

	31 Mar 2022 £m	31 Mar 2023 £m
Less than three months	16.476	15.522
Three to six months	2.112	3.308
Six months to one year	2.780	3.274
More than one year	7.937	8.762
Total	**29.305**	**30.865**

The gross value of trade debtors, excluding other local authorities and central government departments and agencies, is analysed as follows:

	Gross Value of Trade Debtors 31 Mar 2023 £m
Finance Lease Receivables	0.414
Contract Assets	0.480
0 - 30 Days	7.776
Over 30 Days	16.580
Debtors Excluding Other Local Authorities and Government	**25.250**

A loss allowance for these financial assets is recognised based on the gross value of trade debtors which are more than 30 days past due and which have been or are expected to be referred for review by the Council's Legal Services department or under the Care Act (2014). A non-recovery rate based on the historical success rate of recovering such debt, once referred, along with a factor to reflect the prevailing economic conditions, is applied to the gross value of referred debt to determine the amount of the loss allowance. The factor for current market conditions was derived by comparing the expected default rate for 2023 with the historic default rate based on information collated by rating agency Moody's. Macroeconomic conditions are forecast to worsen in 2023 compared to 2022. The expected default rate for 2023 is higher than the historic default rate, therefore the adjustment for current market conditions has resulted in a higher allowance for losses compared to the raw calculation based on the profile of debt, as at 31 March 2023, and the historical rate of debt recovery alone.

Department / Debt Category	Trade Debtors Over 30 Days £m	Referred Debt * £m	Expected Non-Recovery Rate %	Factor for Current Economic Conditions ** %	General Loss Allowance £m	Specific Loss Allowance £m	Total Loss Allowance £m
Adult Care - Secured Over Property	5.572	0.000	0%	112%	0.000	0.000	**0.000**
Adult Care Other - Over 1 Year	3.613	3.613	61%	112%	2.484	0.000	**2.484**
Adult Care Other - 1 Year or Under	4.609	4.609	32%	112%	1.640	0.000	**1.640**
Other	2.786	0.331	32%	112%	0.118	1.697	**1.815**
Total	**16.580**	**8.553**			**4.242**	**1.697**	**5.939**

* Referred debt has been, or is expected to be, referred to Legal Services or reviewed under the Care Act (2014)
** The adjustment for economic conditions is restricted in order that the loss allowance does not exceed 100% of the value of the debt

Whilst expected credit losses relating to trade debtors are measured on a collective basis, those relating to other financial assets are determined on a case-by-case basis.

Reconciliation of Credit Loss Allowances

A reconciliation of the opening and closing balances of the allowances recognised for potential credit losses on the Council's financial assets for the year ended 31 March 2023 is provided as follows:

	Balance at start of year £m	Increase due to recognition of new Financial Assets £m	Decrease due to de-recognition of Financial Assets £m	Change due to modification of cash flows of the Financial Assets £m	Due to change in Average Default Rates £m	Due to change in significance of credit risk £m	Balance at end of year £m
Measured at 12-month expected credit losses where:							
There has been no significant increase in credit risk since initial recognition	**0.028**	0.011	(0.019)	0.000	0.033	0.000	**0.053**
Measured at lifetime expected credit losses where:							
Credit risk has increased significantly since initial recognition	**1.306**	0.109	0.000	0.000	1.439	0.000	**2.854**
Financial assets have become credit impaired	**0.000**	0.000	0.000	0.000	0.000	0.000	**0.000**
Allowed under the simplified approach i.e. Debtors	**2.073**	0.000	(0.530)	0.000	4.397	0.000	**5.940**
Total Loss Allowance	**3.407**	**0.120**	**(0.549)**	**0.000**	**5.869**	**0.000**	**8.847**

£2.802m of expected credit losses relate to the loan to Buxton Crescent Limited. The Council agreed to write-off £0.566m of interest accruing on this loan in 2020-21 and £0.162m of interest accruing in 2021-22 from 1 April 2021 to 18 July 2021.
The contractual terms of the loan to Buxton Crescent Limited were varied with effect from 19 July 2021. The changes were an extension to the maturity date of the loan and a revision from a fixed interest rate to a floating interest rate. The level of interest at the point of renegotiation was considered to be a fair market rate.

The Council agreed to the renegotiated terms of the loan because it supports the viability of an asset it ultimately owns, and for wider reasons, of successful regeneration of the local area, there was added value in ensuring the business running the hotel could have 'breathing space' to recover from the impacts of Covid-19.

In March 2023 the Council received correspondence from one of the joint controlling interests of Buxton Crescent Limited which indicated that the company may not meet the loan covenant tests or be able to commence loan payments at the expected maturity date due to the hotel's weaker than anticipated revenues and high cost of energy. The Council considers this communication evidence that the risk of default on all or part of the loan has increased. As a result, the allowance for expected credit losses on the loan has been increased to cover all of the accumulated interest on the loan. The movement in the loss allowance for default has been funded from earmarked reserves. The Council has opened a dialogue to explore the options to best protect the value of its investment as well as support the viability of the hotel.

There were no modifications to the cash flows of the Council's financial assets during the year.

12-month expected credit losses are based on the following inputs and assumptions:

- The value of the principal on maturity.
- The coupon interest rate of the loan receivable.
- The average probability of default in the next 12 months for that grade of investment, as determined by the major ratings agencies. This has been adjusted for current market conditions based on the ratio of the expected default rate for 2023 compared to the historic rate of default collated by rating agency Moody's.
- The expected loss, given default, is assumed to be 62% (Moody's unsecured).
- In the event of default, the recoverable amount is expected to be received two years later than the due date.

Lifetime expected credit losses are based on the following inputs and assumptions:

- The gross carrying amount.
- The probability of default for that grade of investment, and the expected loss given default.

Forward-looking information is incorporated into the determination of expected credit losses:

- For specific investments – by reference to the investment grade provided by the rating agency Moody's and by considering the forecast default rates for the year compared to historical rates of default.
- For trade debtors – by considering the value of additional debt that is likely to be referred in addition to that which has already been referred for review and by considering the forecast default rates for the year compared to historical rates of default.

The Council does not hold any collateral as security or any other credit enhancements against the loans it has issued.

Liquidity risk
The Council manages a comprehensive cash flow management system. This seeks to ensure that cash is available when it is needed. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The contractual maturity for short term and long-term borrowing is as follows:

	31 Mar 2023 £m
Less than one year	(230.909)
Between one and two years	(2.745)
Between two and five years	(15.025)
Between five and ten years	(44.910)
More than ten years	(169.917)
	(463.506)

Interest rate risk
Within the Annual Treasury Management Strategy maximum limits are set for fixed and variable interest rate exposure. The interest rate profile of financial assets and liabilities, excluding finance lease debtors and creditors and PFI creditors, is as follows:

					Fixed rate	
	Total £m	Non-interest bearing £m	Variable or Fixed <1 year £m	Fixed > 1 year £m	Weighted average int rate (%)	Weighted average period (years)
Financial assets	**393.919**	1.000	382.919	10.000	2.52	1
Financial liabilities	**(463.506)**	0.000	(230.909)	(232.597)	3.46	9

A 1% change in interest rates would have the following impact:

	Impact on provision of services £m	Impact on net worth £m
Increase by 1% (100 basis points)	0.569	22.496
Decrease by 1% (100 basis points)	(0.569)	(22.496)

48. CONTINGENT LIABILITIES

Derby & Derbyshire Waste Treatment Centre (DDWTC)

The Council and Derby City Council remain engaged in a project to develop the Derby & Derbyshire Waste Treatment Centre (DDWTC) in Sinfin, Derby, to deal with waste that residents in Derby and Derbyshire do not recycle. The facility, which was due to open in 2017, was being built on the councils' behalf by Resource Recovery Solutions (Derbyshire) Ltd (RRS), which was a partnership between national construction firm Interserve, which was also building the facility, and waste management company Renewi plc, to operate the facility. However, the contract with RRS was terminated on 2 August 2019, following the issuing of a legal notice by the banks funding the project.

Contracts have been put in place by the councils to make sure waste that residents cannot recycle or choose not to recycle continues to be dealt with and that recycling centres and waste transfer stations continue to operate.

During 2022-23 work progressed on the facility to determine its condition and capability and to preserve the facility pending any future rectification and operation. In February 2023 both councils resolved to move forward with procuring a contractor(s) to rectify and then operate the DDWTC. Work continues to resolve the "estimated fair value" (EFV) of the contract, which is a complex and time-consuming process.

If an agreed EFV cannot be reached through negotiation, it would need to be resolved through formal litigation, which has commenced. At the time of publication of the accounts, an agreed EFV has not been reached. In the event of either a negotiated position, or a Court decision, a payment may be required from the Council for a material amount.

Buxton Museum

The Council's Buxton Museum and Art Gallery, which is part of the Peak Buildings complex, was temporarily closed on 1 June 2023, following investigations which revealed dry rot in some of the building's structural timbers and floor joists. Experts must now carefully assess the entire structure to discover how far the problem has spread. To fully examine the extent of any damage the Council will need to remove wall panelling, floor coverings and ceilings, which cannot be done while the building is occupied and the museum is open. Until a full investigation is completed, it will not be possible to fully assess the amount of work needed to deal with the dry rot. It is expected that investigations and remedial work are likely to take some time. There are therefore uncertainties over both final costs and the timing of any payment.

49. SUBSEQUENT EVENTS

There were no significant events between the balance sheet date and the approval of these financial statements which would require disclosure or adjustment of the statements.

ACCOUNTING POLICIES

INTRODUCTION

The Accounting Policies for Derbyshire County Council (the Council) have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code for Local Authority Accounting (the Code). Where there is no specific guidance in the Code, the Council has developed its own accounting policy which is aimed at creating information which is:

- Relevant to the decision-making needs of users; and
- Reliable, in that the financial statements:
  - Represent fairly the financial position, financial performance and cash flows of the entity;
  - Reflect the economic substance of transactions, other events and conditions and not merely the legal form;
  - Are neutral i.e. free from bias;
  - Are prudent; and
  - Are complete in all material respects.

This document outlines how the Council will account for all income, expenditure, assets and liabilities held and incurred during the financial year.

The accounting policies of the Council are updated annually to reflect any changes in IFRS, including changes in International Public Sector Accounting Standards (IPSAS), HM Treasury guidance, CIPFA guidance or any other change in statute, guidance or framework impacting on the authority's accounts.

The Accounting Policies of the Council as far as possible have been developed to ensure that the accounts of the Council are understandable, relevant, free from material error or misstatement, reliable and comparable. A Glossary of Terms can be found at the end of this document.

The document has been divided into four distinct categories which are Accounting Principles, Capital Accounting, Revenue Accounting and Treasury Management, with each policy being assigned a policy number.

ACCOUNTING PRINCIPLES

1.46. **Going Concern**

The Council prepares its accounts on the basis that it remains a going concern; that is that there is the assumption that the functions of the Council will continue in operational existence. In the case of a pending local government reorganisation, where assets and liabilities are due to be redistributed, the Council would still account on the basis of going concern as the provision of services would continue in another Council.

1.47. **Accruals Concept**

The Council accounts for income and expenditure in the period in which the provision of goods or service has taken place, rather than when cash payments are received or made.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Equally, where cash has been received or paid which is not yet recognised as income or expenditure, a creditor (income in advance) or debtor (payment in advance) is recorded in the Balance Sheet.

1.48. **Cost of Services**

Internal support service costs (e.g. Human Resources) are apportioned across the core service areas to represent the total cost of delivering that service to the public, in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SerCOP).

Where possible the full cost of support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties, or any other operational cost that cannot be reasonably attributed to a specific service.

1.49. **Value Added Tax**

Income and expenditure treated as either capital or revenue, excludes any amounts related to VAT. All VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from the same. Any amounts outstanding (payment or receipt) at the year-end date is held as a creditor or debtor after netting off the amounts either due or owed.

1.50. **Changes in Accounting Policy**

Where there is a known future change in accounting policy required by the CIPFA Code, the Council will disclose the following in the notes to the accounts:

- The nature of the change in accounting policy;

- The reasons why applying the new accounting policy provides reliable and more relevant information;
- For both the current reporting period, and the previous year comparatives reported, the extent to which the change in accounting policy would have impacted on the financial statements if it had been adopted in that year;
- The amount of adjustment relating to years previous to those reported in the set of financial statements, had the proposed policy been adopted retrospectively;
- If retrospective application is impracticable for a particular period, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

The Council will also disclose information relating to an accounting standard which has been issued but not yet adopted.

1.51. **Prior Year Adjustments**

These typically arise from omissions and misstatements in the Council's financial statements for one or more prior periods. For the error to be a prior year adjustment, it would need to have arisen from a failure to use or misuse, reliable information that:

c) Was available when financial statements for those periods were authorised for issue; and
d) Could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, misunderstanding in applying accounting policies, oversights or misinterpretations of facts, and fraud.

They may also arise for reasons such as changes in Accounting Standards, which are required to be applied retrospectively.

Where required changes are thought to be significant, an adjustment will be entered into the financial statement's comparative year balances, and the columns headed 'restated'. In addition, full disclosure as to the nature, circumstance and value of the adjustment will be disclosed in the notes to the accounts.

Errors which are found and are not significant will not result in a prior year adjustment and will be corrected as a current year entry. In addition, errors as a result of information which was not known to the Council or could not have reasonably been obtained by the Council when the accounts were authorised for issue will also be treated as an in year adjustment.

1.52. **Unidentified Income**

All unidentified income received is initially coded to an income suspense account. Individual amounts below £10 are written off due to immateriality. Weekly updates of the content of the suspense accounts are circulated to finance departments, to ensure the balances are cleared quickly. Any items of income below £10,000 which remain unidentified for six months will be written off. Items above £10,000 will be written off after 12 months.

1.53. **Events after the Balance Sheet Date**

Where there is a material post balance sheet event before the date the accounts are authorised for issue, a disclosure in the notes to the accounts will be included. If this event provides additional evidence of conditions that existed at the Balance Sheet date, and materially affects the amounts to be included in the accounts; adjusting items will be shown in the accounts.

1.54. **Exceptional Items**

Exceptional items will have been disclosed separately on the face of the Comprehensive Income and Expenditure Statement and details will be disclosed in the notes to the accounts.

1.55. **Contingent Assets and Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. They are not recognised in the Balance Sheet but disclosed in a note to the accounts.

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

CAPITAL ACCOUNTING

1.56. **Recognition of Capital Expenditure (de-minimis Policy)**

In accordance with International Accounting Standard 16 (IAS 16), the Council recognises non-current assets as:

- Assets where it is expected that future economic benefit or service potential will flow to the Council.
- Assets where the cost can be measured reliably.

and defines them as:-

- Assets held for use in the production or supply of goods or services, rental to others, or for administrative purposes.
- Assets expected to be used for more than one financial period.

The initial measurement of an asset is recognised to be:

- Purchase price, construction cost, minimum lease payments or equivalent including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates.

- Costs associated with bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- Initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located, the obligation for which the Council incurred either when the asset was acquired or as a consequence of having used the asset during a particular period for purposes other than producing inventories during that period.

Subsequent expenditure are costs incurred to add to, replace part of, or service the asset, but do not include day-to-day repairs and maintenance and are treated as capital when

- The expenditure will substantially increase the market value of the asset.
- The expenditure will substantially increase the extent to which the Council can use the asset for the purpose, or in conjunction with the functions of the Council.

Where a component is replaced, the carrying amount of the old component shall be derecognised to avoid double counting and the new component reflected in the carrying amount, subject to the recognition principles as set out above.

The Council has determined in accordance with Regulation 30M of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 that the carrying amounts to be derecognised for Infrastructure Assets when there is replacement expenditure is nil.

The Council has two levels of de-minimis for recognition of capital expenditure, £10,000 and £500,000:

- £10,000 and below – all expenditure at this level is deemed to be non-enhancing unless funded by a Capital grant, and therefore is charged to revenue as it is incurred. This includes initial recognition of assets and subsequent asset expenditure.
- Above £500,000 - expenditure meeting the definitions above will be treated as capital expenditure, either as initial recognition or as an enhancement. However, in order to ensure that the subsequent asset expenditure is enhancing the value of the asset, the Council will instruct a valuation of the asset by a Royal Institute of Chartered Surveyors (RICS) qualified valuer, and any impairment or additional enhancement recognised as necessary.
- Any expenditure above £10,000 and below £500,000 will be treated as capital expenditure as the amount is significant enough to increase the useful life of an asset, however is not material enough to warrant individual impairment review, until the time the asset would normally be valued.

Capital Assets are held on the balance sheet as non-current assets, unless otherwise stated.

The Council has assessed whether Voluntary Aided, Voluntary Controlled and Foundation Schools should be included within the balance sheet, based upon an assessment of ownership and control of the assets. Maintained schools are already held on the balance sheet as the Council controls these entities and therefore all transactions relating to maintained schools are recognised in these accounts. Other types of schools such as Voluntary Aided, Voluntary Controlled and Foundation schools are subject to a test of ownership. The Council recognises a school's assets on its balance sheet where it directly owns them and/or the Council retains substantive rights over the assets and the future economic benefits/service potential of school assets flow to the Council or rights to use the assets have been transferred from another entity.

1.57. **Donated Assets**

These are acquired at less than fair value or transferred for nil consideration. When the Council receives a donated non-current asset, the initial recognition of the asset will be at fair value.

Once any condition attached to the donation has been satisfied, the credit which is the difference between any cash payment and fair value will be treated as income in the Taxation and Non-Specific Grant Income and Expenditure line in the Comprehensive Income and Expenditure Statement. To ensure there is no impact on Council Tax this will then be reversed in the Movement in Reserves Statement and credited to the Capital Adjustment Account.

Until the condition has been satisfied the credit will be recognised in the Donated Assets account. If there is no condition, the recognition of the credit in the Comprehensive Income and Expenditure Statement will occur upon acquisition of the asset.

The fair value of an asset will be assessed upon acquisition; this will be provided by a RICS qualified valuer for property assets and another relevant valuation specialist for other types of asset. After initial recognition, donated assets are treated in the same way as similar owned assets.

1.58. **Non-Current Asset Classification**

The Council manages its assets in the following categories:

- **Intangible Assets**
  In line with International Accounting Standard 38 (IAS 38), the Council recognises intangible assets as non-monetary assets without physical substance, where that asset meets the capital expenditure criteria set out in Accounting Policy 1.11.

- **Property, Plant and Equipment Assets**
  Property Plant and Equipment Assets are subcategorised into Operational Assets: Land & Buildings, Community Assets, Vehicles Plant Furniture & Equipment, Infrastructure Assets, and Non-Operational Assets, these being Surplus Assets and Assets under Construction.

- Land and/or Buildings Assets.
  These assets are recorded, valued and accounted for based on their significant components in line with IAS 16. The Council recognises a significant asset to be 25% of the total asset base within an asset class. A component would be recognised if its expenditure in a given financial year exceeds 25% of the total value of the significant asset and has a substantially different life to the overall asset:
  - Combined Group containing Flat Roof & Mechanical Engineering (Internal Works i.e. boiler system)
  - Land
  - Temporary Buildings (sheds / portacabins)
  - Combined group containing permanent structure, external works (i.e. car park), pitched roof and components of less than 25% of the overall structure value
  - Other unique features (e.g. a swimming pool)

- Community Assets
  These are assets that the Authority intends to hold in perpetuity, that have no determinable useful life and which may, in addition, have restrictions on their disposal. There is little prospect for sale or change of use.

  If the asset is used for a specific operational purpose, it does not qualify as a community asset and should be valued accordingly.

- Infrastructure Assets
  These include all tangible (physical) assets required within the Council's road networks. There is no prospect for sale or alternative use of infrastructure assets; expenditure is only recoverable through continued use of the asset.

- Vehicles, Plant Furniture and Equipment Assets
  These assets are also classified as Property Plant and Equipment.

  Non-Operational Assets:

- Surplus Assets
  These are assets that are not being used to deliver services, and do not meet the criteria to be classified as either investment properties or held for sale. All surplus assets under IFRS13 which came into effect and were adopted by the Council from 1 April 2015 are to be valued at Fair Value and depreciated accordingly.

- Assets Under Construction
  These are assets which are in the process of being constructed and are not yet operational.

- **Investment Property Assets**

These are items of land and / or buildings held by the Council solely for the purpose of rental income generation or capital appreciation or both.

As such where there is a service of the Council being delivered from the property, this is not classified as Investment Property Assets. This includes where the intention of the asset is to generate economic growth to an area such as below market value rental.

Investment property that subsequently meets the criteria within the Code to be classified as held for sale shall continue to be accounted for as an investment property but may be reported separately as investment property held for sale.

Some Assets Under Construction may also be classified as Investment Properties where the intended eventual use is rental income generation or capital appreciation.

- **Heritage Assets**

Assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations are classified as Heritage Assets.

- **Assets Held for Sale**

The Council will classify Non-Current Assets as Held for Sale where all of the following criteria have been met:

  - The asset must be available for immediate sale in its present condition. However, if a sale is dependent on planning permission being obtained, reclassification is suspended until that permission has been given.
  - The asset's sale is highly probable.
  - The asset must be actively marketed for sale.
  - The completion of the sale is expected within 12 months from the date of classification.

In situations where it is not necessary to carry out active marketing, for example the Council is able to identify prospective purchases willing to pay a reasonable price without marketing or because the buyer initiates the transaction (such as a right-to-buy-sale) the actively marketed test is treated as 'not applicable', rather than failed.

Assets which become non-operational which do not meet all of the criteria set out as assets Held for Sale will be classified as surplus. If at a later point in time the asset no longer meets the criteria of Held for Sale, it is restored to its previous classification and all transactions which would have occurred shall be retrospectively applied as though the asset had never been held for sale.

Assets meeting the criteria as Held for Sale are held as current assets on the balance sheet as income is expected within 12 months.

It is possible that assets meeting the criteria to be Held for Sale; may undergo a change in circumstance beyond the control of the Council resulting in the sale being delayed beyond 12 months. In these instances, the Council follows the policies outlined for assets held for sale; however disclosure of the value for these assets is within non-current assets. Due to the circumstances around the definition, it is expected that this will occur very rarely.

1.59. **Non-Current Asset Valuation Methodology**

The various classifications of assets as outlined in Accounting Policy 1.13 are valued on a differing base. Where not explicitly stated otherwise, property revaluations are completed by a RICS qualified valuer (who is internal to the Council), over a ‘short period’, interpreted to mean on a five year rolling programme for each class of asset i.e. 20% of the Council’s assets are revalued at 31 March for the financial year.

Where there is an upward revaluation, the carrying value is increased and the associated credit charged directly to the Revaluation Reserve. This is then reflected in the Comprehensive Income and Expenditure Statement as a revaluation gain. Where there is a revaluation resulting in a lower than carrying amount valuation, this is treated in line with Accounting Policy 1.15 – impairment of Non-Current Assets.

The Council, as per the reporting standard, values its assets and liabilities in accordance with section 2.10 of the Code of Practice on Local Authority Accounting in the United Kingdom to reflect the adoption of IFRS13 Fair Value Measurement at each reporting date except where adaptations to fit the public sector are detailed in the Code. However, Section 4.1 of the Code adapts IAS 16 to require that items of Property, Plant and Equipment that are operational and therefore providing a service potential for the authority are measured for their service potential at existing use value, existing use value – social housing, (depreciated) historic cost or depreciated replacement cost and not at fair value. Surplus assets are measured at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants and the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability.

Fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participants ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Code requires Infrastructure Assets and Assets Under Construction (excluding Investment Property, see Section 4.4 of the Code) to be measured at historic cost. Community assets may either be valued in accordance with Section 4.10 of the Code, where the valuation option has been adopted, or measured at historic cost. The Council measures Community Assets at historic cost.

Heritage Assets will be valued in accordance with Section 4.10 of the Code.

The Code requires all other assets to be measured at Current Value and the basis of valuation will be determined using the following criteria:

- Depreciated replacement cost – specialised assets
- Existing use value – non-specialised assets
- Existing use value – social housing
- Fair value for the following assets:
  - Investment assets
  - Surplus assets
  - Assets Held for Sale (less costs to sell)

The Council uses valuation techniques, as required by the Code, which maximise the use of relevant observable inputs and minimise the use of unobservable inputs and that are appropriate in the circumstances and for which sufficient data is available.

Observable inputs are inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability.

Unobservable inputs are inputs for which market data is not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

The Council follows the fair value hierarchy which categorises inputs to the valuation techniques in respect of assets and liabilities into three levels for which fair value is measured or disclosed in the Council's financial statements, these include:

- Level 1 inputs – unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset or liability

Highest priority is given to Level 1 inputs (unadjusted) in active markets and lowest priority to Level 3.

Upon the revaluation of a Surplus Asset at the 31st March of the financial year, based on the inputs available at the date of valuation the valuer will establish the Code Valuation Input Level for the valuation and will compare this with the Code Valuation Input Level for the previous valuation. Where the Input Level is different from that of the previous valuation this will be specifically reported with the valuation together with a narrative description of the reasons and differing circumstances that have resulted in the change.

Valuations are completed under the Code as follows:

- **Intangible Assets –** the Council recognises Intangible Assets at cost. The Council will only revalue intangible assets annually where there is a determinable market value for the asset.

- **Property Plant and Equipment (PPE) –** Property Assets are held at current value which is the amount that would be paid for the asset in its existing use. This requirement is met by providing a valuation on the basis of Existing Use Value (EUV) in accordance with United Kingdom Practice Statement (UKPS) 1.3 of the RICS Valuation Standards. Where no other valuation method can be used because of the specialist nature of the asset, current value is estimated using a Depreciated Replacement Cost (DRC) approach. Vehicles, Plant, Furniture and Equipment, IT Hardware, and Assets Under Construction within PPE are held at historic cost (not valued).

- **Infrastructure Assets –** the Council recognises Infrastructure Assets at Depreciated Historical Cost.

- **Investment Property Assets –** Investment Properties are annually revalued at fair value which is interpreted as the amount that would be paid for the asset in its highest and best use, i.e. market value. An investment property under construction is measured at cost until such time as its fair value can be determined reliably or its construction us complete, whichever comes first. The fair value of Investment Property held under a lease is the lease interest.

- **Community Assets –** the Council recognises Community Assets at historic cost.

- **Heritage Assets –** where it is possible to determine a valuation for Heritage Assets, then the Council will recognise the asset in the Balance Sheet at that valuation. Where a valuation has been applied to this class of assets, other than a historic valuation, a range of valuation bases have been used which include external valuations, curatorial valuations and a limited number of cases of insurance valuations. Where a curatorial valuation has been applied the valuation is dependent upon the experience and knowledge of the Derbyshire Museums Manager. However, where it is not practicable to obtain a valuation the asset will be carried at historic cost. Where information on cost or value is not available all Heritage Assets will be disclosed in the notes to the accounts, even where they are not recognised in the Balance Sheet. Where there is evidence of impairment to Heritage Assets e.g. where an item has suffered a physical deterioration or breakage or new doubts arise as to its authenticity, any impairment is recognised and measured in accordance with the Council's general policies on impairment.

- **Assets Held for Sale –** Non-Current Assets Held for Sale are, at initial classification and at the end of each reporting year, valued at the lower of carrying amount and fair value less costs to sell and depreciation on these assets should cease.

- **Surplus Assets** - Surplus assets are valued at Fair Value in accordance with the Code.

1.60. **Impairment of Non-Current Assets**

This accounting policy has been created in accordance with IAS 36.
Impairment is the amount to which the carrying value of an asset exceeds the recoverable amount.

At the end of each reporting period the Council assesses whether there is any indication that an asset may be impaired.

The Council recognises impairment as:
- A significant decline (i.e. more than expected as a result of the passage of time or normal use) in an asset's carrying amount during the period that is specific to the asset;
- Evidence of obsolescence or physical damage of an asset;
- A commitment by the Council to undertake a significant reorganisation; and
- A significant adverse change in the statutory or other regulatory environment in which the Council operates.

Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains). Any further impairment or if there has been no previous revaluation, the impairment is charged to revenue. This is then reversed through the Movement in Reserves Statement and charged to the Capital Adjustment Account.

1.61. **Disposal of Non-Current Assets**

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Sale proceeds in excess of £10,000 are categorised as Capital Receipts. Receipts are credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are transferred to the Reserve from the movement in reserves statement. The value of the asset is transferred to the Capital Adjustment Account via the Movement in Reserves Statement.
Sale proceeds of £10,000 and below are credited straight to the Comprehensive Income and Expenditure Statement.

1.62. **Depreciation / Amortisation Methodology**

In order to recognise the total cost of using fixed assets, the Council has a policy to depreciate assets on a straight line basis over their useful economic life, reducing the value of the asset, and charging the relevant revenue service expenditure. However, under statute, depreciation is not chargeable to the taxpayer, the Council removes this charge through the Movement in Reserves Statement and charges it to the Capital Adjustment Account.

The Council charges depreciation on a pro-rata basis during the year i.e. from the month of acquisition to the month of disposal.

The economic lives of assets are:

- **Intangible Assets –** 5 years.

- **Property Plant and Equipment**
    - Combined Group for Flat Roof and Mechanical Engineering – 20 years
    - Land – not depreciated
    - Temporary Buildings – 15 years
    - Modular Buildings – 25 years
    - Combined group for structure, external works, pitched roof and components of less than 25% of the overall structure value – 40 years
    - Other unique features (i.e. a swimming pool) – as required
    - Fixtures and Fittings – 10 years
    - IT Hardware – 5 years
    - Vehicles – 3 to 10 years

- **Infrastructure Assets**
    - Carriageways – 40 years
    - Footways and cycle tracks – 40 years
    - Structures – 120 years
    - Lighting – 40 years
    - Traffic management – 30 years
    - Street furniture – 40 years

- **Investment Property Assets –** not depreciated

- **Community Assets –** Community Assets are assets that an authority intends to hold to perpetuity which have no determinable useful lives and as such are not depreciated.

- **Assets Held for Sale –** are not depreciated

- **Assets Under Construction –** are not depreciated

- **Heritage Assets (with indefinite lives) –** are not depreciated

1.63. **Leases**

In line with IAS 17, the Council recognises a lease to be any agreement which transfers the right to use an asset for an agreed period in exchange for payment, or a series of payments.

This includes leases, hire purchase, rental, contracts of service, service level agreements and any other arrangement where the ability to use an asset is conveyed.

1.64. **Defining a Finance Lease**

A finance lease is where substantially all of the risks and rewards relating to ownership transfer to the lessee.

Tests to give an indication of the transfer of risk and reward are:

- If the lessee will gain ownership of the asset at the end of the lease term (e.g. hire purchase)
- If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised
- If the lease term is for the major part of the economic life of the asset even if the title is not transferred. Measures to identify this are:
    - The economic life of the asset is deemed to be that which is consistent with the class of asset in the depreciation policy.
    - The Council recognises 'major part' to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.
- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. Measures to identify this are:
    - Fair value of the leased asset is assessed by a RICS qualified valuer.
    - The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease.
    - If this rate cannot be determined the incremental borrowing rate applicable for that year is used.
    - The Council recognises 'substantially all' to be 75% of the value of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

- If the lessee cancels the lease, the losses of the lessor, associated with the cancellation are borne by the lessee.
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease).
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

A suitably experienced accountant, with assistance from qualified valuers, will make a judgement based on the level of risk and reward held by the Council as to whether a lease is operating or finance.

1.65. **Defining an Operating Lease**

The Council recognises an operating lease to be a lease which is not a finance lease.

1.66. **Lessee Accounting for a Finance Lease**

Where the Council is tenant in a property, or is, by definition of IFRIC 4, leasing an asset which is deemed under IAS 17 to be a finance lease the Council will recognise that asset within the asset register, and account for that asset as though it were an owned asset.

The initial recognition of the asset is at the fair value of the property, or if lower, the present value of the minimum lease payments. A liability is also recognised at this value, which is reduced as lease payments are made.

1.67. **Lessor Accounting for a Finance Lease**

Where the Council is the lessor for a finance lease, the asset is not recognised in the asset register; however, a long term debtor at the present value of minimum lease payments is recognised. Income received is split between capital - credited against the debtor, and finance income – credited to the Comprehensive Income and Expenditure Statement as interest receivable.

1.68. **Lessor Accounting for an Operating Lease**

Where the Council is the lessor for an operating lease, it will retain the property as either an item of Property Plant and Equipment or as an Investment Property on the Balance Sheet. Any rental income is credited to the relevant service income.

1.69. **Service Concession Agreements (Private Finance Initiative (PFI) and other similar contracts)**

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. PFI and similar contracts are assessed against criteria within IFRIC 12 Service Concession Arrangements to determine whether the risks and rewards incidental to ownership lie with the Council or the contractor.

Those which lie with the contractor – payments made during the life of the contract are chargeable to revenue as incurred.

Those which lie with the Council – are recognised as an asset in the Balance Sheet for the construction costs of the asset. Once recognised this asset is treated in line with all capital assets. A corresponding long-term liability is also recognised at the construction value. Payments made during the life of the contract are split into finance costs, capital costs and service costs. Determining the split of payments is calculated at the inception of the contract and is based on the inherent interest rate within the original agreement. Finance costs are chargeable to the Comprehensive Income and Expenditure Statement as Interest payable. Capital Costs reduce the level of liability in the Balance Sheet. Service costs are chargeable to the relevant revenue service expenditure. Pre-payments or Dowry payments reduce the level of liability at the start of the contract.

PFI Credits are treated as general revenue government grants.

1.70. **Capital Grants and Contributions**

The Council recognises capital grants and contributions as being related to capital assets and uses them to fund capital expenditure on those assets. Grants, contributions and donations are recognised as income at the date that the Council has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received.

Any grant received before these recognition criteria were satisfied would be held as a creditor. Any grant which had met the recognition criteria but had not been received would be shown as a debtor. This is in line with the Accruals Concept Policy.

Once the recognition criteria above have been satisfied, capital grants are recognised as income in the Comprehensive Income and Expenditure Statement.

In order to not impact on the level of Council Tax, the Council removes the credit from the General Reserves through the Movement in Reserves Statement and makes a credit to the Capital Grants Unapplied Reserve.

Once expenditure has been incurred on the related asset, the credit is removed from the Capital Grants Unapplied Reserve and credited to the Capital Adjustment Account.

1.71. **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure incurred that either may be capitalised under statutory provisions or is capital in nature but does not result in the creation of a fixed asset that is owned by the Council. REFCUS is charged as expenditure to the Comprehensive Income and Expenditure Statement in the year, however, is financed from existing capital resources or by borrowing. A transfer between the Capital Adjustment Account and the Movement in Reserves Statement then reverses out the impact on the general fund balance.

1.72. **Minimum Revenue Provision (MRP)**

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement.

The Council will provide for 2.5% of debt outstanding on all debt as at 31 March 2008. On any new debt since this date the Council will provide 2.5% of the balance on all borrowing, unless any unsupported borrowing relates to any significant assets with a life of less than 20 years. In this case an annual amount based on the expected useful life of the individual assets is used and where those assets are vehicles then an average life of five years is used.

The Council has adopted the policy of charging MRP for PFI and Leased Assets at the value of the associated loan liability repayment each year, thus mitigating the impact to the General Reserve.

1.73. **Capital Reserves**

The Council holds Capital Reserves for the purpose of financing capital expenditure. Reserves will be disclosed as either usable (available to fund capital expenditure) or unusable (reserves held as a result of timing differences associated with recognition of capital expenditure and related financing).

Movements in capital reserves are accounted through the Movement in Reserves Statement.

REVENUE ACCOUNTING

1.74. **Recognition of Revenue Expenditure**

The Council recognises revenue expenditure as expenditure which is not capital.

1.75. **Employee Costs**

In accordance with IAS 19, the Council accounts for the total benefit earned by employees during the financial year.

Employee Costs are split into 3 categories; short term benefits, termination benefits and pensions costs.

Short Term Employee Benefits

- **Salaries and Wages –** The total salary and wages earned by employees during the financial year are charged to the Comprehensive Income and Expenditure Statement. Where the amount accrued exceeds the amount paid at the 31 March, a creditor will be reflected in the accounts.

- **Leave Owed, Accumulating Absences –** The Council allows employees to earn time off in one period with the resulting cost to the Council in a later period when that time is either taken off or paid to the employee. Examples of this accumulating leave are annual leave, flexi-time and time off in lieu.

  If an employee were to leave the Council, cash payment would be made for entitlements such as annual leave; this leave is termed vesting. Where no cash payment would be due, the leave is termed non-vesting.

  In order to correctly reflect the cost of time owed to staff, a charge has been made to the Comprehensive Income and Expenditure Statement and a creditor accrual has been reflected in the Balance Sheet. This charge is reflective of the estimated time cost value of all accumulating leave owed to employees. Vesting leave will be charged in full; however non-vesting leave has been adjusted to reflect the turnover of staff.

- **Easter Bank Holiday –** When Good Friday and/or Easter Monday fall in April, the preceding financial year only accounts for 6 or 7 bank holidays rather than the statutory 8. When this occurs, a charge is made to the Comprehensive Income and Expenditure Statement and a creditor accrual is reflected in the Balance Sheet.

- **Non-accumulating Absences –** are periods of leave that cannot be carried forward for use in future periods. Examples include Maternity Leave, Special Leave, Sick Leave and Jury Service. The Council does not recognise non-accumulating compensated absences until the time that the absence occurs.

- **Non-monetary Benefits –** Where employees have non-monetary benefits (e.g. retirement benefits or life insurance), the associated cost of providing that benefit has been charged to the Comprehensive Income and Expenditure Statement.

Termination Benefits

- **Redundancy Costs –** The obligation to pay redundancy costs occurs when there is a formal plan to create redundancies. The plan would include the location, function and approximate number of employees affected; the termination benefits offered; and the time of implementation. When these recognition criteria have been met the Council recognises the costs associated with this in the service revenue expenditure and creates a creditor in the Balance Sheet. Where the payable amount is due in more than 12 months from the year end date, the costs are discounted at the rate determined by reference to market yields. In the case of an offer to encourage voluntary redundancy, the Council has recognised the estimated cost based on the expected number of employees taking the offer.

The Council will disclose details of exit packages within the notes to the accounts.

Pensions Costs

- **Teachers' Pension Scheme –** is a defined benefit scheme administered by the Department for Education. The assets and liabilities of the Teachers' Pension Scheme are not attributable to the Council, therefore the Council accounts for the scheme as if it were a defined contribution scheme. This means that the Children and Education Services line in the Comprehensive Income and Expenditure Statement will only include the Council's contributions payable to the scheme.

- **Local Government Pension Scheme –** is a defined benefit scheme. The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions such as mortality rates and employee turnover rates, and projections of earnings for current employees.

  Pension liabilities are measured using the projected unit method, discounted using the rate on high quality corporate bonds of equivalent term to the liabilities. The discount rate is the weighted average of "spot yields" on AA rated corporate bonds.

The change in the net pension liability is analysed into seven components:

- Current Service Cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement within the relevant service area dependant on staff employed at the Council. The current service cost includes an allowance for administration expenses
- Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs
- Gains/Losses on Settlements and Curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
- Interest Income on Plan Assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement
- Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial

valuation or because the actuaries have updated their assumptions – debited to the Movement in Reserves Statement.
- Employer Contributions – cash paid by the Council to the Pension Fund.

In relation to retirement benefits, statutory provisions require the General Reserve to be charged with the amount payable by the Council to the Pension Fund in the year, not the amount calculated according to the relevant accounting standards. Adjustments are therefore made in the Movement in Reserves Statement.

➢ **Early Retirement, Discretionary Payments –** the Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies which are applied to the Local Government Pension Scheme.

1.76. **Lessee Accounting for an Operating Lease**

Costs associated with operating leased assets where the Council is the lessee are charged immediately to the Comprehensive Income and Expenditure Statement within the Net Cost of Services on an accruals basis.

1.77. **Revenue Grants and Contributions**

Grants, contributions and donations (referred to as grants for the purposes of this policy) are recognised as income at the date that the Council has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received. Any grant received before these recognition criteria were satisfied would be held as a creditor (income in advance). Any grant which had met the recognition criteria but had not been received would be shown as a debtor.

Revenue grants will either be received to be used only for a specific purpose or can be used for general purpose. Those for a specific purpose are recognised in the Comprehensive Income and Expenditure Statement within the Net Cost of Services. Those which are for general purpose are shown within Other Operating (Income) and Expenditure in the Comprehensive Expenditure and Income Statement.

1.78. **Income from Service Recipients**

Income from service recipients is defined as consideration that a party, which has contracted with the Council, has given in exchange for goods or services that are the output of the Council’s normal operating activities. Such a contract may be in writing, orally or in accordance with customary business practices. These may include:
- Charges for service provided by the Council.
- Sale of goods provided by the Council.
- Fees and charges for services under statutory requirements where there is an exchange of assets or services, such as the issuing of a licence or processing of an application.

In such cases the Council recognises income when it has satisfied the performance obligation by transferring the promised goods or services to the service recipient. The point of transfer is when the service recipient takes control of the goods or benefits from the service.

The Council deems performance obligations to be satisfied over time, rather than at a point in time if any of the following criteria are met:

- The service recipient simultaneously receives and consumes the benefits of a service.
- The Council's performance enhances an asset that the service recipient controls.
- The Council has an enforceable right to payment for performance completed to date and that performance does not create an asset for which it has an alternative use.

Such income is recognised in the Comprehensive Income and Expenditure Statement within the Net Cost of Services.

1.79. **Provisions**

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.
Provisions are charged to the appropriate service revenue account in the year that the Council recognises an obligation, based on the best estimate of the likely settlement. When payments are eventually made, it is charged to the provision. Where payment is not expected for more than 365 days after the balance sheet date, the provision has been discounted using the rate of a high quality corporate bond.

Estimated settlements are reviewed at the end of each financial year and adjustments with the Comprehensive Income and Expenditure Statement are made as required.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income if it is virtually certain that reimbursement will be received if the obligation is settled.

The Council does not hold any general provisions.

1.80. **Revenue Reserves**

The Council holds usable revenue reserves for the purpose of funding future expenditure. The General Reserve represents the balance of reserves to meet short term, unforeseeable expenditure and to enable significant changes in resources or expenditure to be properly managed over the period of the Five Year Financial Plan. Earmarked Reserves represent balances where approval has been received to use the reserve for a specific purpose.

Unusable revenue reserves represent timing differences such as those associated with the recognition of retirement benefits, Council tax income and financial instruments.

Movement in reserves are accounted through the Movement in Reserves Statement.

The Council publishes a separate Reserves Policy document, which is reviewed by Cabinet at least annually.

1.81. **Research Costs**

Research costs should be treated as revenue expenditure at the point in which they are incurred and charged to the Comprehensive Income and Expenditure Statement.

1.82. **Members' Allowances**

The Council in exercise of the powers and duties conferred by the Local Authorities (Members' Allowances) (England) Regulations 2003, has established a Members Allowance Scheme, outlining the allowances payable to Members of the Council.
Members are reminded of the need to keep detailed supporting information, such as a diary, about every attendance for which they claim. This information should be available for scrutiny by the Council's Auditors or other relevant persons as and when required. The scheme is updated annually, and full details are available on the Council's website.

The total amount paid in terms of Members Allowances is disclosed in the notes to the accounts.

1.83. **Council Tax and Business Rates Recognition**

Council Tax and Business Rates income included in the Comprehensive Income and Expenditure Statement includes the Council's share of accrued income recognised by billing authorities in the production of the Collection Fund Statements.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Reserve is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

1.84. **Inventories and Work in Progress**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. Inventory is recorded in terms of average cost, with the exception of fleet parts where the cost is recorded on a first in, first out basis.

Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

1.85. **Loss Allowance for Expected Credit Losses**

The Council maintains a loss allowance for any amounts it is due to receive from its debtors or investments which might become uncollectable.

Credit risk is assessed based on the expectation of a debtor's or an investment issuer's ability to pay future cash flows due under the contractual terms. This risk is estimated, where possible, based on historical loss experience, the debtor's or investment issuer's credit rating and other impacting factors including forward-looking information.

The loss allowance for an investment is initially measured at an amount equal to the portion of the lifetime credit losses which might be expected from a default event within 12 months of the balance sheet date. If the Council considers that the risk of default on an investment has increased significantly since the investment was initially recognised it will measure the loss allowance at an amount equal to the total lifetime credit losses expected from a default event.

At each Balance Sheet date, the Council makes a two-stage assessment of significant increases in credit risk since initial recognition:

- Firstly, whether there is evidence of a significant increase for an individual debtor or investment that is significant, and
- Secondly, whether there is evidence of a significant increase for groups of similar debtors or investments.

The Council adopts the simplified approach of measuring the loss allowance for debtors at an amount equal to the total lifetime credit losses expected from a default event, from the time a debtor is initially recognised.

No loss allowance is recognised for expected credit losses where the debtor or investment issuer is central government or another local authority for which relevant statutory provisions prevent default.

Loss allowances are offset against the debtor or investment amount shown as an asset. The movement in the allowance is charged to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

TREASURY MANAGEMENT

1.86. **Definition of Treasury Management Activities**

The Council has adopted the following definition of Treasury Management activities:

The management of the Council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the Council.

The Council acknowledges that effective treasury management will provide support towards the achievement of its service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

1.87. **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in the value.

1.88. **Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost.

Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus any interest accrued to 31 March and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Any premiums or discounts, incurred on the early repayment of loan debt, arising from 1 April 2007 are taken immediately to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement in the year of repayment. However, the amount is then credited or debited to the General Reserve and transferred to the Financial Instruments Adjustment Account via the Movement in Reserves Statement as required by statute.

The regulations allow that the premium or discount is amortised over periods specified in the statutory guidance. In accordance with the guidance the Council has a policy of spreading the premium or discount over the remaining term of the original loan, or a minimum of 10 years in the case of discounts. This amortisation is managed by a transfer from the Financial Instruments Adjustment Account to the General Reserve via the Movement in Reserves Statement.

Where a loan has been restructured, by a modification to the terms of the existing loan or by an exchange of debt instruments with the existing lender, and the terms are substantially different, the original financial liability is extinguished and a new financial liability is recognised. The difference between the carrying amount of the new and extinguished liability and any consideration transferred is recognised in Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

Where the terms of a loan debt exchange or the modification to the terms of an existing loan are not substantial, the carrying amount of the liability is adjusted to the value of the remaining cash flows required by the new terms, including any premiums or discounts paid/received, discounted to present value at the original loan's effective interest rate. Any gain or loss on modification is credited and debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

A modification of terms is deemed to be substantially different if the present value of the cash flows under the new terms, including any premiums or discounts paid/received, is at least 10% different from the present value of the cash flows under the old terms. In both cases the present value is calculated by reference to original loan's effective interest rate.

1.89. **Financial Assets**

Financial assets are classified into three types according to the Council's business model for managing those assets and the characteristics of the cash flows of the asset:

4) **Financial Assets Measured at Amortised Cost** – assets where it is the Council's intention to hold the asset to collect the contractual cash flows and those cash flows consist solely of payments of principal and interest which arise on specified dates

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus any interest accrued to 31 March and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement. However, the Council could make loans to organisations at less than market rates (soft loans).

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Reserves is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Reserves is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement. Any gains and losses that arise on the derecognition of the asset are credited/debited to the Comprehensive Income and Expenditure Statement.

Investments are represented on the balance sheet depending on their remaining life at the Balance Sheet date:

- Investments entered into for 90 days or less - debited to the cash balance as cash equivalents and represented within the cash flow statement.
- Investments entered into for more than 90, with less than 365 days until maturity – debited to current asset investments
- Investments due to expire in more than 365 days – debited to non-current asset investments

5) **Financial Assets Measured at Fair Value Through Other Comprehensive Income** – assets where it is the Council's intention to hold the asset both to sell the asset and to collect the contractual cash flows and those cash flows consist solely of payments of principal and interest which arise on specified dates, or assets which are equity instruments which it is the Council's intention to hold for more than 12 months and which the Council has irrevocably elected to present changes to their fair value in Other Comprehensive Income and Expenditure

These assets are initially measured and carried at fair value. Where the asset has determinable payments of dividends or interest, these are credited to the Comprehensive Income and Expenditure Statement. Interest receivable is based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Dividends are recognised when the Council's right to receive the payment has been established and the amount can be measured reliably.

Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

Changes in fair value are balanced by an entry in the Financial Instrument Revaluation Reserve and the gain/loss is recognised in Other Comprehensive Income and Expenditure and the Movement in Reserves Statement. Impairment of these assets, due to expected credit losses, is charged to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement and credited to a loss allowance account which reduces the carrying value of the financial asset. Any gains and losses that arise on de-recognition of the asset are credited/debited to Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement, along with any accumulated gains/losses. Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

6) **Financial Assets Measured at Fair Value Through Profit or Loss** – assets which are neither measured at amortised cost nor where changes to fair value are presented in Other Comprehensive Income and Expenditure

These assets are initially measured and carried at fair value. Where the asset has determinable payments of dividends or interest, these are credited to the Comprehensive Income and Expenditure Statement. Interest receivable is based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Dividends are recognised when the Council's right to receive the payment has been established and the amount can be measured reliably.

Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis

Changes in fair value are balanced by an entry in Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement.

1.90. **Interests in Companies and Other Entities**

Where the Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures, it is required to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as investments, i.e. at cost, less any provision for losses.

Audit Opinion to be inserted

Audit Opinion to be inserted

Audit Opinion to be inserted

Audit Opinion to be inserted

Audit Opinion to be inserted

Public

Pre-Audit
Statement of Accounts
Derbyshire Pension Fund
2022-23

Version History			
Version	**Date**	**Detail**	**Author**
1.0	10.07.23	Pre-Audit Derbyshire Pension Fund Statement of Accounts 2022-23 for signature and publication.	E Scriven R Dosanjh N Smith

This document has been prepared using the following ISO27001:2013 standard controls as reference:

ISO Control	Description
A.8.2	Information classification
A.7.2.2	Information security awareness, education and training
A.18.1.1	Identification of applicable legislation and contractual requirements
A.18.1.3	Protection of records
A.18.1.4	Privacy and protection of personally identifiable information

EXPLANATORY FOREWORD

Derbyshire County Council administers the Local Government Pension Scheme (LGPS) for employees, pensioners and dependents of a variety of bodies in Derbyshire, including Councils; Police and Fire Authorities (for civilian employees); the University of Derby, Colleges and Academies (non-teaching staff); Charities and some private companies providing services to local councils.

Derbyshire Pension Fund (the Pension Fund/Fund) has over 340 participating employers and approaching 110,000 membership records, relating to approximately 93,500 members, either active contributors, pensioners or deferred pensioners who have stopped paying into the scheme but are not yet receiving a pension.

The benefits payable to members within the Fund are determined by regulations and are guaranteed. Assets in the Fund meet members' benefit payments when they fall due and are accumulated through a combination of contributions from employees and employers within the Fund and from investment returns (both income and capital). Although the profile of the Pension Fund is gradually maturing, it continues to be cashflow positive, with combined contributions and investment income exceeding benefit payments on an annual basis.

The triennial actuarial valuation of the Fund at 31 March 2022 was completed during the year. The whole fund results, which provide a high-level snapshot of the funding position at 31 March 2022, reported an improvement in the funding level of the Fund from 97% at 31 March 2019 to 100% at March 2022, moving from a deficit of £163m to a small positive surplus of £1m. For the purposes of reporting a funding level, an investment return of 3.8% p.a. was assumed.

Employer covenant analysis and engagement with the Fund's employers supported the agreement of employer contribution rates for the three years from 1 April 2023. Employers' primary rates, covering the cost of the benefits that active members will build up in the future, generally increased due to higher inflation expectations; secondary rates, covering the costs associated with funding benefits accrued up to the valuation date, generally decreased due to strong investment performance since the last actuarial valuation in March 2019.

As part of the actuarial valuation, an updated Funding Strategy Statement and an updated Admission, Cessation and Bulk Transfer Policy were approved by the Pensions and Investments Committee. During the year, the Committee also approved an updated Pension Administration Strategy and an updated Governance Policy and Compliance Statement. The Fund also published its third Climate-Related Disclosures Report, which demonstrated the positive progress made in reducing the carbon footprint of the Pension Fund's listed equity portfolio and increasing the Fund's weighting in low carbon and sustainable investments.

At the end of March 2023, the value of the Fund's investments assets had fallen to just under £5.9bn, returning -3.1% over the year. However, the Fund continued to outperform on a relative basis against its benchmark over 1, 3, 5 and 10 years.

Investment markets globally were impacted by the reaction of central banks to rising levels of inflation. As the global economy recovered with the easing of Covid-19 pandemic-related lockdown restrictions, demand for products and materials increased sharply. Global supply chains were tight coming out of the pandemic and were further impacted by the conflict in Ukraine. The strong consumer demand for products against a backdrop of tight supply, tight labour markets and rising commodity prices (particularly rising energy prices) resulted in higher levels of price inflation.

Following their first steps to tighten monetary policy towards the end of 2021-22, after a long period of low interest rates, the major central banks moved swiftly during the year to increase rates as the worsening inflationary outlook unfolded. The Bank of England increased its base rate from 0.75% at the start of the year to 4.25% in March 2023, the highest level since October 2008. The US Federal Reserve increased its federal funds rate from a range of 0.25%-0.50% in March 2022 to a range of 4.75% to 5% in March 2023, its highest level since September 2007. Returns from the majority of asset classes were negative during the year, with the prices of government bonds and corporate bonds particularly impacted by the increases in interest rates.

The Fund continued to work closely with its partners in the LGPS Central Pool, overseeing the continued development of LGPS Central Limited (LGPSC), the company established to manage investments on behalf of the LGPS Central Pool. LGPSC is currently managing the Fund's investment grade bonds allocation and a portion of the Fund's emerging market equity and global sustainable equity allocations through pooled products and a commitment has been made to the company's private debt fund. The Fund expects further assets to be transitioned into LGPSC pooled products in 2023-24.

The rollout of the i-Connect system continued during with year, with employers representing around 90% of the Fund's membership now using the automated data submission and validation system.

Registrations on My Pension Online, the Fund's member self-service system, continued to grow, with over 30% of the Pension Fund's combined active and deferred members registered on the system by the end of the year.

A separate Annual Report is produced for the Fund which, in addition to the Fund's accounts, includes the governance arrangements for the Fund, detailed performance information and the Fund's approved policy statements. The Annual Report is available on Derbyshire Pension Fund's website:
https://www.derbyshirepensionfund.org.uk/publications/annual-report/annual-report.aspx

Membership Statistics

The Fund has over 110,000 membership records, relating to approximately 93,500 members, either active contributors, pensioners, or deferred pensioners:

	Actuals		
	31 Mar 2021	31 Mar 2022	31 Mar 2023
Contributors	38,065	38,170	38,025
Pensioners and Dependants	32,463	33,699	34,751
Deferred Pensioners	32,427	33,634	34,866

Employers' Contributions

Employers pay pension contributions into the Fund. The contribution rates payable by the County, Unitary and District Councils expressed as a percentage of pensionable payroll and fixed cash amounts are:

Council	2022-23	2023-24
Derbyshire County Council	15.5% plus £15.536m	20.8% plus £0.582m
Derby City Council	14.5% plus £6.981m	20.3% plus £0.883m
Amber Valley Borough Council	15.0% plus £1.057m	21.1% plus £0.631m
Bolsover District Council	14.9% plus £0.962m	20.8% plus £0.262m
Chesterfield Borough Council	15.2% plus £1.991m	20.4% plus £0.726m
Derbyshire Dales District Council	14.6% plus £0.561m	20.5% plus £0.192m
Erewash Borough Council	14.1% plus £0.999m	20.7% plus £0.502m
High Peak Borough Council	13.4% plus £1.833m	20.9% plus £1.227m
North East Derbyshire District Council	14.7% plus £1.527m	20.6% plus £0.901m
South Derbyshire District Council	14.8% plus £0.678m	20.3% plus £0.174m

The percentage rates that were determined by the Actuary in the valuation of the Fund at 31 March 2019, for 2020-21 to 2022-23, and in the valuation of the Fund at 31 March 2022, for 2023-24 to 2025-26, are intended to cover the cost of future service of active Fund members, with the past service deficit being addressed by an annual fixed cash amount.

Members' Contributions

For 2022-23 the contribution rates payable by members into the Fund are determined by The Local Government Pension Scheme 2013 Regulations. The rates are between 5.5% and 12.5% of members' pay, including non-contractual overtime, depending on their pay banding. There is no change to these rates for 2023-24.

Investment Policy

During 2022-23, responsibility for policy matters rested with a Pensions and Investments Committee, which was comprised of eight County Councillors, two Derby City Councillors and one non-voting Trade Union representative. The Pensions and Investments Committee received advice from the Council's Section 151 Officer and from one independent external adviser.

Day-to-day management of the Fund is delegated to the Council's Section 151 Officer and their in-house staff, operating within a policy framework laid down by the Committee.

Policy is determined by reference to The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, which require that advice is taken at regular intervals and place an onus on administering authorities to determine the balance of their investments and take account of risk.

The Fund has a central (strategic) benchmark asset allocation which is designed to meet the performance requirements for the level of risk agreed by the Pensions and Investments Committee. There were no changes to the Fund's benchmark asset allocation in 2022-23. The Fund's benchmark asset allocation was changed on 1 January 2022, following changes to the Fund's Investment Strategy Statement approved in November 2020, together with the development of a standalone Responsible Investment Framework and Climate Strategy. The changes to the asset allocation benchmark included a 1% switch from Growth Assets to Income Assets, together with some of the Fund's regional equity allocations being switched into Global Sustainable Equities. The Pensions and Investments Committee has a degree of flexibility around the central benchmark allocation and decides the specific allocations (weights) for each asset class at its quarterly meetings. In the table below, the column showing the benchmark return is what would have been achieved via neutrally weighted index returns, whereas the actual Fund returns are a function of both active asset allocation and active stock selection decisions.

Investment Returns

The table below shows the Fund's returns over 1, 3, 5 and 10 years to 31 March 2023, compared to those of its strategic benchmark, as well as the impact of inflation on Fund returns.

	Return		Inflation	Derbyshire Pension Fund Real Return
Periods to 31 Mar 2023	Derbyshire Pension Fund	Benchmark	CPI	Versus CPI Inflation
	% pa	% pa	%	%
1 Year	(3.1)	(3.6)	10.1	(13.2)
3 Years	8.0	7.7	5.9	2.1
5 Years	4.9	4.5	4.2	0.7
10 Years	6.6	6.2	2.8	3.8

On a year by year basis, returns tend to fluctuate significantly according to economic and market conditions. Long-term returns are a more appropriate guide to the performance of the Fund.

The Fund out-performed across all time periods relative to the benchmark. It is important to note that the Fund delivered real returns over all time periods other than on a one year basis, with returns ahead of inflation in each of those time periods. UK inflation increased in 2022-23, from 7.0% in March 2022 to 10.1% in March 2023, reflecting rising energy costs and tight global supply chains following the Covid-19 pandemic.

Markets remained volatile in 2022-23, with the markets being impacted by higher global inflation following the Covid-19 pandemic. Lockdown restrictions severely disrupted global supply chains, and the easing of these restrictions released a surge of pent-up demand. Russia's invasion of Ukraine in February 2022 also significantly disrupted the trade for basic goods such as energy, food and industrial metals, pushing up energy costs and placing further upward pressure on global inflation. The effects of the invasion were felt most severely across the United Kingdom and Europe; in the United Kingdom inflation peaked at a 41-year high of 11.1% in October 2022. In response, the major central banks increased interest rates to slow down economic activity. In the United Kingdom, the Bank of England raised interest rates eight times during 2022-23, taking rates from 0.75% to a fourteen-year high of 4.25% by 31 March 2023. Against a backdrop of rising inflation and significantly higher bond yields, the Fund's overall investment return for 2022-23 was negative, at -3.1%, with negative contributions from the majority of the Fund's asset classes. However, on a relative basis, the Fund outperformed its benchmark by 0.5%, principally due to positive excess returns from the Fund's Income and Protection assets.

By asset class, equity returns to Sterling investors in 2022-23 ranged from +8.7% in Europe Ex-UK to -4.1% in Emerging Markets. The FTSE All World returned -0.9% in Sterling terms, falling to -6.9% in US dollar terms, as Sterling strengthened relative to the US dollar. Government bond returns were poor in 2022-23, as bond yields increased in response to central bank interest rate rises. UK Gilts returned -16.3% and UK Index-Linked bonds retuned –26.7%. UK Investment Grade Bonds returned -11.4%. Property (70% direct / 30% indirect) returned -13.2% in 2022-23, down from a positive return of 18.8% in 2021-22, as rising interest rates and slow economic growth weighed on investor confidence.

Actuarial Position of the Fund

Every three years an actuarial valuation of the Fund is undertaken, in accordance with the provisions of The Local Government Pension Scheme Regulations 2013. The purpose of the valuation is to review the funding strategy and ensure that the Fund has a contribution plan and investment strategy in place that will enable it to pay members' benefits as they fall due. A valuation of the Fund was most recently undertaken as at 31 March 2022 and set the level of contributions payable by each participating employer for the three years commencing 1 April 2023.

At 31 March 2022, the Net Assets of the Fund were £6.132bn and the Past Service Liabilities were £6.131bn. The Fund had a small surplus of £1m at that date. The Fund's Funding Strategy Statement is available on the Council's website at:
https://www.derbyshirepensionfund.org.uk/publications/policies-strategies-and-statements/funding-strategy.aspx

The funding level is the Fund's ratio of assets to liabilities at the valuation date. The funding level at the 2022 valuation was 100%, which is an improvement on the funding level at the 2019 valuation of 97%. This means that the Fund's assets were sufficient to meet 100% of its liabilities (the present value of promised retirement benefits) accrued up to that date. For the purposes of reporting a funding level, an investment return of 3.8% was assumed.

A market-related approach was taken to valuing the Fund liabilities, for consistency with the valuation of the Fund assets at their market value. The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership. An allowance has been at included at this valuation for the expected benefit change related to the McCloud remedy.

A number of factors, both positive and negative, impacted on the overall funding level in the 2022 valuation, with an overall improvement in funding of £0.164bn over the three years to 31 March 2022, an improvement of £0.304bn compared to the expected position.

The actual investment return on the Fund's assets for the period 31 March 2019 to 31 March 2022 was better than expected, increasing the market value of the Fund's assets, and improving the funding position, by £1.212bn, £0.655bn more than expected. The accrual of new benefits reduced the funding position by £0.575bn to 31 March 2022, albeit this reduction was £0.071bn lower than expected.

Other membership experience in the period since the last valuation increased the value of the Fund's liabilities and reduced the funding position by £0.172bn. Changes in future expectations further reduced the actual funding position at 31 March 2022 by £0.252bn, with an improvement in investment returns and other demographic assumptions being more than offset by changes in inflation, salary increases and longevity assumptions, used to calculate the present value of the Fund's liabilities.

Assumptions used in the March 2022 actuarial valuation:

	Assumption
Benefit Increases (Consumer Price Index (CPI) Inflation)	2.70%
Career Average Revalued Earnings (CARE) Revaluation (CPI Inflation)	2.70%
CPI Inflation	2.70%
Discount Rate	3.80%
Future Investment Return*	3.80%
Life Expectancy for Current Pensioners - Women Age 65	24.3 years
Life Expectancy for Future Pensioners - Women Age 45	25.8 years
Life Expectancy for Current Pensioners - Men Age 65	21.3 years
Life Expectancy for Future Pensioners - Men Age 45	22.2 years
Salary Increases**	3.70%

* 77% likelihood that the Fund's assets will return at least 3.8% over the 20 years following the 2022 actuarial valuation date. This is the same methodology used for the 2019 actuarial valuation.
** Plus a promotional salary scale.

The contribution rates required have been determined using a "risk based" approach. The level of contribution rate to give an appropriate likelihood of meeting an employer's funding target, within the agreed timeframe, is determined for each employer. The full rate of an employer's contribution provides for the cost of year-by-year accrual of benefits in respect of current Fund members and the amount required to meet a shortfall in respect of the assets required for pensions in payment (including those payable to survivors of former members) and benefits accrued by other members, which will become payable in the future (known as a past service deficiency).

Since 31 March 2022, markets have continued to be affected by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates, which reduces the value placed on the Fund's liabilities.

As an open scheme, with a strong covenant, the Fund takes a long-term view when considering the funding impact of such events. For employers who have a very short time horizon, recent volatility may be more immediately impactful, and the Fund has engaged with these employers as appropriate. No explicit allowance has been made for this volatility in the valuation results or contribution rates detailed in the Rates & Adjustments Certificate. The Fund will continue to monitor changes in the financial and demographic environment as part of its ongoing risk management approach. The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Further Information

Derbyshire Pension Fund's Investment Strategy Statement, Funding Strategy Statement, Actuarial Valuation Report, Governance Policy and Compliance Statement, Communications Policy and Annual Report are available on the Derbyshire Pension Fund's website at http://www.derbyshirepensionfund.org.uk .

FUND ACCOUNT

2021-22 £m		Note	2022-23 £m
	Dealings with Members, Employers and Others Directly Involved in the Fund		
193.536	Contributions	6,23	202.768
11.940	Transfers in from Other Pension Funds	7	17.144
205.476			**219.912**
(185.578)	Benefits	8,23	(195.410)
(18.262)	Payments to and on Account of Leavers	9	(15.510)
(203.840)			**(210.920)**
1.636	**Net Additions from Dealings with Members, Employers and Others Directly Involved in the Fund**		**8.992**
(32.413)	Management Expenses	10	(33.136)
(30.777)	**Net (Withdrawals) Including Fund Management Expenses**		**(24.144)**
	Return on Investments		
62.217	Investment Income	11	71.587
0.018	Taxes on Income	12	0.008
393.710	Profits and Losses on Disposal of Investments and Changes in Value of Investments	13	(256.835)
455.945	**Return on Investments**		**(185.240)**
425.168	**Net Increase/(Decrease) in the Net Assets Available for Benefits During the Year**		**(209.384)**
5,706.917	Opening Net Assets of the Fund		6,132.085
6,132.085	**Closing Net Assets of the Fund**		**5,922.701**

NET ASSETS STATEMENT

31 Mar 2022 £m		Note	31 Mar 2023 £m
6,092.012	Investment Assets	13-15	5,891.542
(2.980)	Investment Liabilities	13-15	(1.519)
53.926	Current Assets	17	44.488
(10.873)	Current Liabilities	18	(11.810)
6,132.085	**Net Assets of the Scheme Available to Fund Benefits at the Period End**		**5,922.701**

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pensions and Investments Committee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial present value of promised retirement benefits is disclosed in Note 22 of these accounts.

Derbyshire Pension Fund ("the Fund") is administered by Derbyshire County Council and is governed by Local Government Pension Scheme Regulations and associated pension legislation. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended).
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended).
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The Fund is a funded defined benefit scheme, administered locally by the Council on behalf of its own employees (except teachers, former NHS employees and new employees working in Public Health, for whom separate pension arrangements apply), Unitary and District Council employees within Derbyshire and employees of other bodies who are specifically authorised by the Regulations. On 1 April 2014, the Fund, which had previously been a final salary scheme, became a Career Average Revalued Earnings (CARE) scheme.

3. Basis of preparation

The accounts have been prepared on a going concern basis, in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021-22 ("the Code"), which is based upon International Financial Reporting Standards (IFRS), which require the Fund's accounts to comply with IAS 26 Accounting and Reporting by Retirement Benefit Plans, subject to the interpretations and adaptations for the Public Sector detailed in the Code and the Statement of Recommended Practice 2018 ("SORP"): Financial Reports of Pension Schemes insofar as it is relevant.

The accounts summarise the transactions of the Fund and deal with the net assets at the disposal of the Pensions and Investments Committee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial present value of promised retirement benefits is disclosed in Note 22 of these accounts.

The amount of separately invested Additional Voluntary Contributions ("AVCs") paid by members during the year and their value at the net assets statement date are not included in the Pension Fund financial statements in accordance with Regulation 4 (1)(b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. Members' AVCs are disclosed in Note 16 of these accounts.

4. Accounting policies

Contributions

Employee contributions are accounted for when deducted from members' pay. Employers' normal contributions are accounted for in the period to which the corresponding pay relates. Other employers' contributions, such as deficit funding contributions, are accounted for in accordance with the agreement under which they are paid, or in the absence of an agreement, on a cash basis.

Benefits

Benefits and payments to leavers are accounted for in the period they fall due for payment. Where a member has a choice about the form of their benefit, the benefit is accounted for and the liability is recognised when the member notifies the Council of their decision as to what form of benefit they will take. Where a member has no choice about the form of benefit, the benefit is accounted for in the period of leaving/retirement/death, being the period in which the liability to pay the benefit arises.

Transfers

Where past service liabilities do not transfer between schemes until assets/liabilities have been transferred, transfers are accounted for on a cash basis. Where trustees have agreed to accept past service liabilities in advance of the transfer of funds, the transfer is accounted for in accordance with the terms of the agreement.

Management expenses

Management expenses are accounted for on an accruals basis. They are analysed in accordance with CIPFA Guidance "Accounting for Local Government Pension Scheme Management Costs (2016)".

Investment income

Dividends from quoted securities are accounted for when the securities are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statements as an investment asset. Rent is accounted for in accordance with the terms of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Interest on cash and bonds is accrued on a daily basis. Income arising on the underlying investments of accumulation funds is accounted for within change in market value of investments. Distributions from pooled investment vehicles are recognised at the date of issue. Distribution income is accounted for on an accruals basis and any outstanding amount is included in the Net Asset Statement as an investment asset.

Taxes on income

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of The Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable taxation is accounted for as a Fund expense as it arises.

Foreign currency transactions
Dividends, interest and purchases and sales of investments in foreign currencies are accounted for at the market exchange rate at the date of transaction. End of year market exchange rates are used to value overseas assets at the end of the accounting period.

Exchange gains and losses relating to the translation of investments are accounted for as part of change in market value included in the Fund Account and those relating to current assets and liabilities are accounted for within the Fund Account under an appropriate heading.

Cash and cash equivalents
Cash comprises cash in hand and on-demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Basis of valuation

Financial assets and liabilities are included in the net assets statement on a fair value basis as at the reporting date. A financial asset or liability is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset or liability. From this date any gains or losses arising from changes in the fair value of the asset or liability are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (Note 15). The basis of valuation of each class of financial investment asset and liability is set out in Note 15.

7. Accounting Standards issued and not yet applied

At the balance sheet date, the following interpretations, new standards and amendments to existing standards have been published but not yet adopted by the Code:

- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.

  The Fund has concluded that although these amendments lead to improved reporting they would not have had a significant impact on the Fund’s 2022-23 accounts.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) issued in May 2021.

This is only applicable to local authorities with group accounts and, therefore, would not have impacted on the Fund's 2022-23 accounts.

- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

  The Fund has concluded that this amendment would not have impacted on the Fund's 2022-23 accounts.

IFRS 16 (Leases) is not included in the list above because early adoption is not envisaged in 2023-24.

8. Critical judgements made in applying the accounting policies

In applying the accounting policies in Note 2, it has not been necessary to make any critical judgements.

9. Assumptions made and other estimation uncertainty

Valuation of investment assets

Basis of valuation
The Fund's basis of valuation for each class of financial investment is set out in greater detail in Note 15 to these accounts, and there have been no changes to the valuation techniques used in the year. A significant proportion of the Fund's financial investments relate to Level 1 assets, where there is a readily available daily bid market price and Level 2 assets, where the fair value can be determined based on other market data or market prices, and cash deposits.

The remainder of the Fund's financial investments relate to Level 3 assets, including equity index tracking funds, unquoted private equity, infrastructure, private debt investments and indirect property assets. These assets are valued using the most recently reported net assets statement for that investment, adjusted for drawdowns and distributions to the final day of the accounting period, if the net assets statement is not produced to that date.

Level 3 assets also include the Fund's direct property portfolio, which is independently valued by the Fund's external property valuer, Savills, at market value on the final day of the accounting period, determined in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards.

In its March 2023 Valuation Report, Savills noted that *"It is important to recognise that our valuation has been prepared against the backdrop of a very challenging economic outlook and financial market instability. We stress the importance of the valuation date and recommend that the value of the property is kept under regular review. For the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined in the RICS Valuation – Global Standards."*

The value of the Fund's Level 3 assets at 31 March 2023 was £3,385.991m, accounting for 57.5% of total investment assets. The estimated impact of price risk in respect of Level 3 assets is ±6.0%, equating to £203.159m at 31 March 2023. Potential price changes are determined based on the observed historical volatility of asset class returns, for example, 'risker' assets such as equities display greater volatility than bonds. Note 15 provides further details, including a breakdown of the Level 3 assets, the nature of the assumptions that give rise to uncertainty, and a sensitivity analysis in respect of values at 31 March 2023.

The global economy continues to experience inflationary pressures against a backdrop of faltering economic growth and concerns over the cost of living. Whilst global inflation appears to be close to peaking, it remains persistent and central banks, including the Bank of England, have sought to address this by increasing interest rates, placing further pressure on corporate and consumer finances and confidence. Financial markets remain volatile and heavily focused on the future direction of inflation and interest rates. It is unclear how the tightening of credit conditions, particularly in the US, in response to some regional bank failures in the first quarter of 2023, will impact on economic activity.

Actuarial present value of promised retirement benefits

These accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year; however, the actuarial present value of promised retirement benefits is disclosed in these accounts. Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Fund investments. The Fund has engaged Hymans Robertson LLP as its Actuary to provide expert advice about the assumptions to be applied. The effect of changes in these estimates on the Fund's actuarial present value of promised retirement benefits is disclosed in the Report of the Actuary, in Note 22.

Since 31 March 2022, markets have continued to be affected by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to the significant rise in interest rates, which reduces the value placed on the Fund's liabilities.

10. Contributions

	2021-22	2022-23
	£m	£m
Employers		
Normal	111.891	121.244
Deficit Funding	37.081	34.722
Members		
Normal	44.564	46.802
	193.536	**202.768**

Employers' contributions rates payable in 2021-22 and 2022-23 were set as part of the 2019 valuation which revealed an overall funding level of 97%.

On 30 April 2021, Derbyshire County Council paid employer contributions of £55.781m to the Fund, for 2021-22. This advance payment was based on an estimate of pensionable pay. Derbyshire County Council's employer contributions payable for 2021-22, based on actual pensionable pay, are £55.295m, which is £0.486m less than the advance payment. The excess cash payment of £0.486m has been retained by the Fund and accounted for as employer deficit funding contributions in 2021-22 in accordance with the Derbyshire County Council 2021-22 Rates and Adjustments Certificate agreed with the Actuary.

On 29 April 2022, Derbyshire County Council paid employer contributions of £56.494m to the Fund, for 2022-23. This advance payment was based on an estimate of pensionable pay. Derbyshire County Council's employer contributions payable for 2022-23, based on actual pensionable pay, are £57.720m, which is £1.226m more than the advance payment. An additional cash payment of £1.226m was paid to the Fund on 28 April 2023, in accordance with the Derbyshire County Council 2022-23 Rates and Adjustments Certificate agreed with the Actuary.

On 15 October 2020, Derby Homes Limited paid employer contributions of £3.535m to the Fund, for an eighteen-month period, October 2020 to March 2022. Of this payment, £2.184m related to 2021-22, and these contributions were accounted for as employer deficit funding contributions in 2020-21. On 1 April 2022, Derby Homes Limited paid employer contributions of £2.484m to the Fund, for 2022-23. These contributions have been accounted for in 2022-23 as £2.385m of employer normal contributions and £0.099m of employer deficit funding contributions.

An analysis of contributions by participating employer type is disclosed in Note 23 of these accounts.

7. Transfers in from other pension funds

	2021-22	2022-23
	£m	£m
Individual transfers in from other pension funds	**11.940**	**17.144**

8. Benefits

	2021-22	2022-23
	£m	£m
Pensions	146.923	155.695
Commutation of pensions and lump sum retirement benefits	32.711	33.284
Lump sum death benefits	5.944	6.431
	185.578	**195.410**

An analysis of benefits by participating employer type is disclosed in Note 23 of these accounts.

9. Payments to and on account of leavers

	2021-22	2022-23
	£m	£m
Refund of contributions to members leaving the Fund	0.668	0.709
Group transfers out to other pension funds	8.009	0.000
Individual transfers out to other pension funds	9.585	14.801
	18.262	**15.510**

Group transfers out in 2021-22 relate to the transfer of members of six East Midlands Education Trust (EMET) academies to the Nottinghamshire Pension Fund with effect from 1 September 2021.

10. Management expenses

Management expenses are analysed in accordance with CIPFA Guidance “Accounting for Local Government Pension Scheme Management Costs (2016)”.

	2021-22	2022-23
	£m	£m
Investment management expenses	28.275	28.257
Administrative costs	2.774	3.119
Oversight and governance costs	1.364	1.760
	32.413	**33.136**

Oversight and governance costs increased by £0.396m in 2022-23, to £1.760m (2021-22, £1.364m), with the increase relative to the prior year mainly reflecting an increase in actuarial fees relating to the actuarial valuation of the Fund at 31 March 2022. Oversight and governance costs include external audit fees of £0.038m (2021-22: £0.027m), which are comprised of a scale fee of £0.026m for the 2022-23 audit, £0.005m estimated in respect of additional audit fees for the 2022-23 audit not included in the scale fee, for instance in respect of new auditing standards, and additional audit fees of £0.007m estimated in respect of 2022-23 work reviewing membership data in the 31 March 2022 actuarial valuation. The statutory audit fee does not include fees chargeable to the Fund for pension assurance work, undertaken at the request of employer auditors, which the Fund recharges to the respective employers. Fees payable for this work in 2022-23 are estimated to be £0.018m (2021-22: £0.018m).

Administration costs increased by £0.345m in 2022-23, to £3.119m (2021-22, £2.774m), with the increase relative to the prior year reflecting an increase in the cost of the Pension Fund Team and a number of write-offs related to pension overpayments. Pension administration costs per member were £28.98 in 2022-23 (2021-22: £26.29).

Investment management expenses are analysed below:

	2021-22	2022-23
	£m	£m
Fund value based management fees	26.125	26.721
In house management fees	0.452	0.470
Transaction costs	1.677	1.046
Custody fees	0.021	0.020
	28.275	**28.257**

Fund value-based management fees increased by £0.596m, to £26.721m in 2022-23 (2021-22, £26.125m). A reduction in the average value of underlying investments during the year was more than offset by switches into more expensive to manage private market assets. Based on average investment assets across the year, management fees as a proportion of average investment assets were 0.46% (2021-22, 0.44%).

Transaction costs relate to the following asset classes:

	2021-22	2022-23
	£m	**£m**
Equities	0.231	0.120
Pooled Investment Vehicles	1.446	0.926
	1.677	**1.046**

Transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment financial asset or liability. An incremental cost is one that would not have been incurred if the scheme had not acquired or disposed of the financial instrument. Transaction costs include fees and commissions paid to agents, anti-dilution levies, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties.

Directly held investment properties are not financial assets and transaction costs in respect of them are capitalised into their initial cost, rather than expensed.

Direct transaction costs do not include debt premiums or discounts, financing costs or internal administration or handling costs.

Other costs are incurred indirectly by the Fund on sales and purchases of pooled investment vehicles through the difference between the highest price a buyer of a security or other asset is willing to pay and the lowest price a seller is willing to offer (bid-offer spread).

Such costs are not separately identifiable but are reflected in the cost of these investment purchases and in the proceeds from their sale (Note 13).

11. Investment income

	2021-22	2022-23
	£m	**£m**
Income from equities	12.224	10.564
Income from bonds	9.566	10.502
Net rents from properties	10.854	15.229
Income from pooled investment vehicles	29.168	32.143
Interest on cash deposits	0.405	3.149
	62.217	**71.587**

Income from equities decreased by £1.660m in 2022-23, to £10.564m (2021-22, £12.224m), principally reflecting the ongoing transition from direct equity holdings into accumulation unit pooled investment vehicles, where dividend income is automatically reinvested and not distributed. Income from pooled investment vehicles increased by £2.975m in 2022-23, to £32.143m (2021-22, £29.168m), reflecting increased allocations to income generating asset classes such as infrastructure and private debt which are managed through pooled investment vehicles. The increase of £4.375m in respect of net rent from properties, from £10.854m in 2021-22 to £15.229m in 2022-23, principally reflects the fact that the Fund added six new properties to the direct property portfolio in 2022-23.

Rents from properties are net of £0.795m of property expense (2021-22, net of £0.596m of property expense), which includes a £0.101m credit loss allowance expense adjustment for property rent debtors at the year-end (2021-22, £0.032m income adjustment). The income or expense each year is the net of property management expenses recovered by service charges to tenants and irrecoverable property management expenses, for instance, rates on vacant properties, adjusted for the movement in credit loss allowance.

12. Taxes on income

	2021-22	2022-23
	£m	£m
Taxation payable	(0.018)	(0.008)

From 6 April 2016 there are no notional tax charges for UK dividends. Taxes on income relate to withholding taxes in respect of overseas investment income, which are recoverable by the Fund.

13. Investment assets and liabilities

	Value at 31 Mar 2022	Purchases & hedging payments	Sales & hedging receipts	Profits & losses on disposal of investments & changes in value of investments	Value at 31 Mar 2023
	£m	**£m**	**£m**	**£m**	**£m**
Investment assets					
Equities	370.726	49.866	(85.218)	(37.993)	297.381
Bonds	619.498	83.008	(19.386)	(108.281)	574.839
Pooled investment vehicles	4,622.108	240.669	(229.206)	(46.382)	4,587.189
Properties	292.200	89.077	0.000	(50.002)	331.275
Currency hedging contracts	0.000	0.000	0.000	0.988	0.988
	5,904.532	*462.620*	*(333.810)*	*(241.670)*	*5,791.672*
Cash deposits & short term loans	182.079			0.000	93.917
Other investment balances	5.401			0.000	5.953
	6,092.012			**(241.670)**	**5,891.542**
Investment liabilities					
Currency hedging contracts	(0.592)	1,332.833	(1,317.076)	(15.165)	0.000
Other investment balances	(2.388)			0.000	(1.519)
	(2.980)			**(15.165)**	**(1.519)**
	6,089.032			**(256.835)**	**5,890.023**

The total of profits and losses on disposal of investments and changes in value of investment assets and investment liabilities has reduced the Fund's value by £256.835m during 2022-23 (2021-22, £393.710m increase). This total includes all increases and decreases in the market value of investments held at any time during the year and profits and losses realised on sales of investments during the year. In 2022-23, net losses on financial assets and financial liabilities measured at fair value are £206.833m (2021-22, £358.832m net gains).

At 31 March 2023 the Fund's investments accounting for more than 5% of the total value of the Fund's net assets available for benefits were:

- LGIM UK Equity Index Fund £774.200m, representing 13.1% (2022, £751.690m, 12.3%).
- LGIM MSCI World Low Carbon Target Index Fund £677.564m, representing 11.4% (2022, £686.933m, 11.2%).

- RBC Global Equity Focus Fund £378.812m, representing 6.4% (2022, £412.479m, 6.7%).
- LGPS Central Global Active Corporate Bond Fund A (Acc) £337.078m, representing 5.7% (2022, £378.001m, 6.2%).
- LGPS Central All World Equity Climate Multi Factor Fund £314.073m, representing 5.3% (2022, £312.322m, 5.1%).

The 2021-22 position was:

	Value at 31 Mar 2021	Purchases & hedging payments	Sales & hedging receipts	Profits & losses on disposal of investments & changes in value of investments	Value at 31 Mar 2022
	£m	£m	£m	£m	£m
Investment assets					
Equities	577.325	230.566	(520.738)	83.573	370.726
Bonds	580.511	50.576	(10.995)	(0.594)	619.498
Pooled investment vehicles	3,930.149	1,168.619	(753.941)	277.281	4,622.108
Properties	252.200	11.967	(6.845)	34.878	292.200
	5,340.185	*1,461.728*	*(1,292.519)*	*395.138*	*5,904.532*
Cash deposits & short term loans	325.128			0.000	182.079
Other investment balances	5.635			0.000	5.401
	5,670.948			**395.138**	**6,092.012**
Investment liabilities					
Currency hedging contracts	(1.472)	1,062.309	(1,060.001)	(1.428)	(0.592)
Other investment balances	(2.676)			0.000	(2.388)
	(4.148)			**(1.428)**	**(2.980)**
	5,666.800			**393.710**	**6,089.032**

Currency hedging receipts and payments represent the transactions settled during the year on currency hedging contracts relating to sovereign fixed income holdings and from 2021-22 onwards, the Fund's Infrastructure, Multi-Asset Credit and Indirect Property investment assets following a change to the Fund's Investment Strategy Statement to also currency hedge these assets. The Fund's objective is to decrease risk in the portfolio, by entering into forward contracts to match a proportion of assets that are already held in the portfolio without disturbing the underlying assets.

At the year end, there were two currency hedging contracts, with less than six months to expiry, with a gross contract value of £360.439m (2022, two contracts, with less than six months to expiry, with a gross contract value of £309.258m).

Pooled investment vehicles are further analysed below:

	31 Mar 2022	31 Mar 2023
	£m	£m
Pooled Investment Vehicles		
Equities	3,009.986	2,928.709
Bonds	844.350	806.172
Property	194.206	134.935
Private Equity	191.371	196.424
Infrastructure	382.195	520.949
	4,622.108	**4,587.189**

The proportion of the market value of net investment assets managed in-house (including the selection of pooled products) and by each external manager at the year-end is set out below.

	31 Mar 2022		31 Mar 2023	
	£m	%	£m	%
In-house	3,028.978	49.7	2,879.608	48.9
Colliers Capital Holdings Ltd	293.973	4.8	333.903	5.7
Legal and General Investment Management	1,762.703	29.0	1,775.302	30.1
LGPS Central Ltd	872.126	14.3	837.307	14.2
UBS Global Asset Management Life Ltd	30.500	0.5	0.000	0.0
Wellington Management International Ltd	100.752	1.7	63.903	1.1
	6,089.032	**100.0**	**5,890.023**	**100.0**

14. Fund investments by geographical sector (at market value)

	31 Mar 2022		31 Mar 2023	
	£m	%	£m	%
UK	2,619.506	43.0	2,565.955	43.6
North America	1,687.963	27.7	1,521.558	25.8
Asia and other	925.118	15.2	939.700	16.0
Europe	856.445	14.1	862.810	14.6
	6,089.032	**100.0**	**5,890.023**	**100.0**

The changes in the regional mix of the Fund's investments reflects a combination of asset allocation changes and/or relative investment performance.

15. Basis of valuation

The basis of valuation of each class of financial investment asset and liability is set out below. There has been no change in the valuation techniques used during the year. All investment assets and liabilities held at fair value through profit or loss have been valued using fair value techniques as follows:

- Market quoted investments, where there is a readily available market price, are valued at the bid market price on the final day of the accounting period.
- Quoted bonds are valued at net market value excluding accrued income.
- Pooled investment vehicles are included at closing bid price for funds with bid/offer spreads, or if single priced, at the closing price. For unquoted pooled investment vehicles this is at the price advised by the fund manager.
- Unquoted investments are valued at fair value, at the price or net asset value advised by the fund manager, or for private equity investments, based on the Fund's share of net assets at the year end, using the latest financial information available from the respective fund managers, adjusted for drawdowns and distributions to the final day of the accounting period, if the latest financial information is not produced to that date.
- Fair value for investment property is calculated using the investment method of valuation, the premise of which is that all current and future income streams are capitalised at a rate or rates compared against yields achieved in market investment transactions and adjusted for individual characteristics of the subject property, based on valuer's opinions, wholly derived from observable prices achieved in market transactions.

- Forward foreign exchange contracts are valued by determining the gain or loss that would arise from closing out the contract at the reporting date by entering into an equal and opposite contract on that date.

Property, which is a non-financial asset, is included at market value on the final day of the accounting period, determined in accordance with the Royal Institution of Chartered Surveyors' Valuation Standards. The property portfolio was independently valued by Savills, Property Advisers.

Financial investment assets and liabilities valued using fair value techniques have been classified into the three levels of what is known as a fair value hierarchy. The hierarchy is ordered according to the quality and reliability of information used to determine recurring fair values, with Level 1 being of the highest quality and reliability.

- Level 1 – Assets and liabilities assigned to Level 1 in the fair value hierarchy are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. The Fund's investments classified as Level 1 are quoted UK and Overseas Equities and quoted UK and Overseas Bonds issued by governments.
- Level 2 – Assets and liabilities assigned to Level 2 in the fair value hierarchy are those where quoted market prices are not available, for instance in a market that is not considered to be active, or where observable valuation techniques are used to determine fair value. The Fund's investments classified as Level 2 are quoted Pooled Investment Vehicles, Currency Hedging Contracts and unquoted LGPSC Bonds and Equities.
- Level 3 – Assets and liabilities assigned to Level 3 in the fair value hierarchy are those where at least one input which could have a significant effect on an instrument's valuation is not based on observable market data. The Fund's investments classified as Level 3 are unquoted Pooled Investment Vehicles and Properties (non-financial assets).

The Fund's fair value hierarchy of investment financial assets and financial liabilities held at fair value through profit or loss, additionally including investment financial assets held at amortised cost, to reconcile to total financial assets and financial liabilities, is as follows:

	31 Mar 2022	31 Mar 2023
	£m	**£m**
Financial Assets at Fair Value through Profit or Loss		
Level 1		
UK quoted equities	267.504	231.229
Overseas quoted equities	101.906	64.837
UK quoted bonds	510.758	476.558
Overseas quoted bonds	108.056	97.596
	988.224	**870.220**
Level 2		
Property - quoted pooled investment vehicles	32.769	13.980
Other quoted pooled investment vehicles	1,654.526	1,518.493
UK unquoted equities	1.315	1.315
UK unquoted bonds	0.685	0.685
Currency hedging contracts	0.000	0.988
	1,689.295	**1,535.461**
Level 3		
Property – unquoted pooled investment vehicles	161.437	120.955
Other unquoted pooled investment vehicles	2,773.376	2,933.761
UK freehold properties (non-financial instruments)	236.650	279.275
UK leasehold properties (non-financial instruments)	55.550	52.000
	3,227.013	**3,385.991**
Financial Assets at Amortised Cost		
Sterling cash deposits	20.449	22.481
Money market funds	120.000	30.000
Other Sterling short term loans	40.000	40.000
Foreign currency	1.630	1.436
Other investment balances	5.401	5.953
	187.480	**99.870**
Financial Assets	**6,092.012**	**5,891.542**

	31 Mar 2022	31 Mar 2023
	£m	**£m**
Financial Liabilities at Fair Value through Profit or Loss		
Level 2		
Currency hedging contracts	(0.592)	0.000
	(0.592)	**0.000**
Financial Liabilities at Amortised Cost		
Other investment balances	(2.388)	(1.519)
	(2.388)	(1.519)
Financial Liabilities	**(2.980)**	**(1.519)**
	6,089.032	**5,890.023**

Additional information in respect of the fair value measurement is provided below.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuation
UK quoted equities	Level 1	Bid market price	Not required	Not required
Overseas quoted equities	Level 1	Bid market price	Not required	Not required
UK quoted bonds	Level 1	Net market value excluding accrued income	Not required	Not required
Overseas quoted bonds	Level 1	Net market value excluding accrued income	Not required	Not required
Property quoted pooled investment vehicles	Level 2	Closing bid price where bid and offer prices are published	Not required	Not required
Other quoted pooled investment vehicles	Level 2	Closing bid price where bid and offer prices are published	Not required	Not required
UK unquoted equities	Level 2	Fair value based on price or net asset value advised by the fund manager	Not required	Not required
UK unquoted bonds	Level 2	Fair value based on price or net asset value advised by the fund manager	Not required	Not required
Currency hedging contracts	Level 2	Published exchange prices at the year-end date	Not required	Not required

Property unquoted pooled investment vehicles	Level 3	Investment method whereby all current and future income streams are capitalised at the rate or rates compared against yields achieved in market investment transactions and adjusted for individual characteristics of the subject property, based on valuer's opinion, wholly derived from observable prices achieved in market transactions	Net Asset Value (NAV) - based principal	Valuations could be affected by material events occurring between the date of the financial statements provided and the year-end date, by changes to expected cash flows, and by any differences between audited and unaudited accounts
Other unquoted pooled investment vehicles (private equity; infrastructure; private debt)	Level 3	At the price or net asset value advised by the manager using the latest financial information available from the respective manager, adjusted for drawdowns and distributions to the final date of the accounting period, if the latest financial information is not produced to that date	Private Equity & Infrastructure: EBITDA; Revenue & EBITDA multiple; Discount for lack of marketability; Control premium; Discounted cash flows Private Debt: Comparable valuation of similar assets; Revenue & EBITDA; Discounted cash flows; Asset security; Enterprise value estimation	Valuations could be impacted by material events occurring between the date of the financial statements provided and the year-end date, by changes to expected cash flows, and any differences between the audited and unaudited accounts
UK freehold and leasehold properties (non-financial instruments)	Level 3	Determined in accordance with the RICS Valuation Standards	Existing lease term rentals; Independent market research; Covenant strength for existing tenants; Actual and assumed vacancy levels; Estimated rental growth; Discount rate	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations as could more general changes in market prices

Below is a reconciliation of the movement in fair value measurements within Level 3 of the fair value hierarchy from the start to the end of 2022-23:

	Value at 31 Mar 2022	Purchases	Sales	Unrealised gains/ (losses)	Realised gains/ (losses)	Value at 31 Mar 2023
	£m	£m	£m	£m	£m	£m
Financial Assets						
Level 3						
Pooled investment vehicles						
Property – unquoted	161.437	1.662	(36.309)	(17.593)	11.758	120.955
Other unquoted	2,773.376	184.383	(100.136)	63.000	13.138	2,933.761
Properties						
UK freehold (non-financial instruments)	236.650	89.077	0.000	(46.452)	0.000	279.275
UK leasehold (non-financial instruments)	55.550	0.000	0.000	(3.550)	0.000	52.000
	3,227.013	**275.122**	**(136.445)**	**(4.595)**	**24.896**	**3,385.991**

Unrealised and realised gains and losses are recognised in the profit and losses on disposal of investments and changes in value of investments line of the fund account.

The 2021-22 position was:

	Restated Value at 31 Mar 2021*	Purchases	Sales	Unrealised gains/ (losses)	Realised gains/ (losses)	Value at 31 Mar 2022
	£m	£m	£m	£m	£m	£m
Financial Assets						
Level 3						
Pooled investment vehicles						
Property – unquoted	154.854	2.487	(18.688)	16.443	6.341	161.437
Other unquoted	2,280.640	566.858	(317.370)	212.815	30.433	2,773.376
Properties						
UK freehold (non-financial instruments)	208.500	0.855	(6.845)	35.947	(1.807)	236.650
UK leasehold (non-financial instruments)	43.700	11.112	0.000	0.738	0.000	55.550
	2,687.694	**581.312**	**(342.903)**	**265.943**	**34.967**	**3,227.013**

*Reanalysed in 2021-22 to remove a quoted fund following correction of its classification from Level 3 other unquoted pooled investment vehicles to Level 2 other quoted pooled investment vehicles. This fund had a value of £348.746m at 31 March 2021.

The impact of current global economic conditions on investment values is considered in Note 5. Having analysed historical data and current market levels, the Fund has determined that the Level 3 values at 31 March 2023 above are likely to be accurate to within the ranges set out in the sensitivity analysis below:

	Value at 31 Mar 2023 £m	Assessed valuation range %	Value on increase £m	Value on decrease £m
Level 3 sensitivity				
Direct property (non-financial instruments)	331.275	10.0	364.402	298.147
Diversified multi-asset credit funds	231.352	5.0	242.920	219.784
Equity index tracking funds	1,775.475	2.0	1,810.985	1,739.966
Short dated investment grade fund	19.408	3.0	19.990	18.826
Indirect property	120.955	15.0	139.098	102.812
Infrastructure	520.949	12.5	586.068	455.830
Private debt	190.153	10.0	209.168	171.138
Private equity	196.424	15.0	225.888	166.960
	3,385.991	**6.0**	**3,589.150**	**3,182.832**

The position at 31 March 2022 was:

	Value at 31 Mar 2022 £m	Assessed valuation range %	Value on increase £m	Value on decrease £m
Level 3 sensitivity				
Direct property (non-financial instruments)	292.200	10.0	321.420	262.980
Diversified multi-asset credit funds	264.752	5.0	277.990	251.514
Equity index tracking funds	1,762.703	2.0	1,797.957	1,727.449
Short dated investment grade fund	19.635	3.0	20.224	19.046
Indirect property	161.437	15.0	185.653	137.221
Infrastructure	382.195	12.5	429.969	334.421
Private debt	152.720	10.0	167.992	137.448
Private equity	191.371	15.0	220.077	162.665
	3,227.013	**6.0**	**3,421.281**	**3,032.745**

16. Additional Voluntary Contributions

In accordance with Regulation 4(1)(b) of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Accounts do not include employees' Additional Voluntary Contributions ("AVCs"). Members may make AVCs which are invested separately from the Fund's assets. These investments are specifically allocated to the provision of additional benefits for those members. These are money purchase arrangements where the member uses the invested amount to provide an additional lump sum or to purchase an annuity or buy additional benefits in the Local Government Pension Scheme.

For the year ended 31 March 2023, Prudential Assurance Company Ltd (Prudential) is unable to provide AVC information to align with the production of the Fund's pre-audit accounts.

Including Prudential funds at final 31 March 2022 values, the total value of funds provided by AVC contributions at 31 March 2023 was:

	31 Mar 2022	31 Mar 2023
	£m	£m
Utmost Life and Pensions		
With profits fund	0.064	0.045
Unit-linked funds	0.438	0.353
Total Utmost Life and Pensions	0.502	0.398
Standard Life		
Managed fund	0.735	0.704
Multi asset managed fund	0.113	0.089
Protection fund	0.060	0.082
Ethical fund	0.106	0.080
With profits fund	0.322	0.270
Total Standard Life	1.336	1.225

	31 Mar 2022	31 Mar 2023
	£m	£m
Prudential Assurance Company Ltd		
Deposit fund	1.983	
With profits cash accumulation fund	5.057	
Cash fund	0.539	
Discretionary fund	0.742	
Dynamic global equity passive fund	0.217	
Dynamic growth funds	1.268	
Fixed interest fund	0.184	
Global equity fund	0.419	
Index-linked fund	0.349	
International equity fund	0.633	
Long-term bond fund	0.027	
Long-term gilt passive fund	0.237	
Positive impact fund	0.219	
Property fund	0.000	
UK equity fund	0.278	
UK equity passive fund	0.197	
Total Prudential Assurance	*12.349*	*12.349*
Clerical Medical		
With profits fund	0.128	0.116
Unit linked fund	0.052	0.024
Total Clerical Medical	0.180	0.140
Total AVC Investments	***14.367***	***14.112***
Death in Service Cover		
Utmost Life and Pensions	**0.093**	**0.048**

Death in Service cover is payable by the AVC provider where an employee has opted to pay an extra life insurance sum. The Local Government Pension Scheme Regulations 2013 require the death grant payable for contributors into the LGPS to be three times their "final pay" (in the case of a part-time employee it is three times their actual pensionable pay). The Inland Revenue limit for death in service cover is four times "final pay", so the maximum extra amount insurable is, therefore, restricted to an amount equivalent to one times "final pay" and in the case of a part-time contributor, their actual pensionable pay. "Final pay" is defined in the above Regulations.

	Utmost Life £m	Prudential £m	Standard Life £m	Clerical Medical £m	Total £m
Value at 31 Mar 2022	**0.502**	**12.349**	**1.336**	**0.180**	**14.367**
Income					
Contributions received	0.000		0.016	0.001	0.017
Interest and bonuses and change in market value	(0.020)		(0.029)	(0.004)	(0.053)
Expenditure					
Retirement benefits	(0.079)		(0.098)	(0.037)	(0.214)
Full encashment	0.000		0.000	0.000	0.000
Asset transfer	0.000		0.000	0.000	0.000
Transfers out and withdrawals	(0.005)		0.000	0.000	(0.005)
Value at 31 Mar 2023	**0.398**	**12.349**	**1.225**	**0.140**	**14.112**

17. Current assets

	31 Mar 2022 £m	31 Mar 2023 £m
Employers’ contributions due	8.787	8.896
Employees’ contributions due	2.521	2.487
Sundry debtors	1.450	1.328
Cash balance	41.168	31.777
	53.926	**44.488**

Employers’ and employees’ contributions due at 31 March 2023 have been received since the year-end.

As at 31 March 2023, the Fund was owed rent totalling £0.667m in respect of 2022-23 (31 March 2022, the Fund was owed rent totalling £0.556m in respect of 2021-22). Whilst the Fund’s discretionary direct property manager is actively managing the collection of this rent, the aftermath of the Covid-19 pandemic, together with inflationary pressures and challenging economic conditions, has had a significant impact on the trading and cash flows of some of the Fund’s tenants. As a result, the Fund has provided a credit loss allowance of £0.296m against these rents (2021-22, £0.195m).

18. Current liabilities

	31 Mar 2022	31 Mar 2023
	£m	£m
Unpaid benefits	1.925	3.027
Sundry creditors	4.495	6.673
Amounts owed to Derbyshire County Council	4.453	2.110
	10.873	**11.810**

19. Related party transactions

Derbyshire County Council
The Council is the administering authority for the purposes of the Fund under The Local Government Pension Scheme Regulations 2013.

Included in management expenses in 2022-23 are charges from the Council of £3.071m (2021-22: £2.853m), for expenses incurred in respect of oversight and governance of the Fund, for Fund administration and for the management of the Fund's in-house investments. At 31 March 2023 the Fund owed the Council £2.110m (31 March 2022: the Fund owed the Council £4.453m).

It has not been possible to apportion, on a reasonable basis, the costs and benefits of key management personnel between the Council and the Fund. However, Members' Allowances and Officers' Remuneration are disclosed in Notes 30 and 31 of the Council's Statement of Accounts.

LGPS Central Limited
LGPS Central Limited (LGPSC) has been established to manage investment assets on behalf of eight LGPS funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPSC Pool, of which the Council, as the administering authority for the Fund, is one of the shareholders.

The Council's Section 151 Officer, or their nominee, represents the Council on the LGPS Central Shareholders' Forum, with delegated authority to make decisions on any matters which require a decision by the shareholders of LGPS Central Limited. All decisions made by the Section 151 Officer or their nominee, using delegated powers, are reported to the Pensions and Investments Committee.

The Fund, via Derbyshire County Council, had £1.315m invested in share capital and £0.685m in a loan to LGPSC at 31 March 2023 (31 March 2022: £1.315m and £0.685m, respectively) and was owed interest of £0.047m on the loan to LGPSC on the same date (2021-22: £0.032m).

The Fund incurred costs of £0.164m associated with LGPSC Investment Management and Monitoring Costs in respect of an Active Emerging Markets Equities Multi Manager sub-fund, an index-tracking All World Equity Climate Multi Factor sub-fund, an Active Global Investment Grade Corporate Bond sub-fund and a Credit Partnership Limited Partnership sub-fund (Private Debt) in 2022-23 (2021-22: £0.087m), of which £0.041m was payable to LGPSC at 31 March 2023 (31 March 2022: £0.023m). The charge excludes fees paid to the underlying investment managers of £1.265m in 2022-23 (2021-22: £0.990m), with the increase between 2021-22 and 2022-23 reflecting an increase in the level of investment assets managed through LGPSC products.

The Fund incurred £1.065m in respect of Governance, Operator Running and Product Development costs in connection with LGPSC in 2022-23 (2021-22: £0.947m), of which £0.332m was payable to LGPSC at 31 March 2023 (31 March 2022: £0.240m).

LGPSC leases office space from the Council. The lease commenced on 14 June 2018 and is for a duration of five years, with a break clause at 30 June 2021. The rental income received and receivable by the Council from LGPSC in 2022-23 amounted to £0.015m (2021-22: £0.015m). For the duration of the lease term, subsequent years' rentals will be subject to an annual increase of 2.8%. Subsequent to 31 March 2023, LGPSC has notified the Council that it will not be renewing the lease on expiry.

From 29 March 2023, an amended guarantee was put in place to enable LGPSC to recognise an offsetting asset to the IAS19 liability on its balance sheet. The new agreement extends the definition of 'Outstanding Liabilities' to include the total IAS 19 defined benefit obligation. As the IAS 19 figure was previously used as a proxy to estimate the possible cost of cessation, this does not change the amount estimated under the guarantee. LGPSC is responsible for employer and employee contributions and pays these when due. The LGPSC IAS19 pension liability at 31 March 2023 (calculated annually at the year-end) amounts to £0.665m. Derbyshire Pension Fund's share of this LGPSC IAS19 pension liability is £0.083m. The partners are jointly and severally liable.

Members of the Pensions and Investments Committee

There is one non-voting Union Representative on the Fund's Pensions and Investments Committee who is an active member of the Fund. In addition, there is one full Member on the Committee who is a deferred member of the Fund.

20. Investment commitments

At the end of the financial year, investment commitments in respect of future payments were:

	31 Mar 2022	31 Mar 2023
	£m	£m
Unquoted investments	321.277	277.517
Direct property	19.325	0.000
Other Sterling short-term loans	35.000	0.000
	375.602	**277.517**

Unquoted investments commitments are commitments to invest in Multi-Asset Credit, Private Equity, Infrastructure and Indirect Property investments, not yet drawn down by the managers. The Direct Property commitment of £19.325m at 31 March 2022 (£nil at 31 March 2023) related to the purchase of a retail warehouse and hotel in Saffron Walden. The Fund exchanged a legally binding contract with the vendor on 7 March 2022, with completion and settlement due in June 2022, following the completion of snagging work by the vendor.

The Other Sterling short-term loans commitments are commitments to make short-term investments at the year-end. There were no such commitments at 31 March 2023 (2022, five). The 2022 commitments were secured to take advantage of higher rates available at that time. There was no provision or creditor for these amounts in the financial statements as at 31 March 2022 as the legal obligation to pay was not fulfilled at that date. The commitments at 31 March 2022 were met in 2022-23 using funds received from the maturity of earlier investments and, therefore, had no impact on the financial position reported at 31 March 2022.

21. Financial instruments

Many requirements of the financial instruments standards (IAS 39, IAS 32, IFRS 7 and IFRS 9), which govern the recognition, measurement, presentation, and disclosure of financial instruments, are not applicable to the Fund's accounts, since all material financial instruments are carried in the net assets statement at fair value.

Nature and extent of risks arising from financial instruments

Certain financial risks are a necessary and appropriate component of the investment strategy of the Fund in order for it to achieve the targeted long-term rate of return assumed by the Fund Actuary. This rate of return is used in drawing up the Funding Strategy Statement and setting employer contribution rates.

The overall financial risk for the Fund is that its assets could be insufficient to meet its liabilities to pay benefits. At the financial instrument level, the Fund's key risks are:

- **Credit risk** – the risk of the Fund suffering loss due to another party defaulting on its financial obligations.
- **Liquidity risk** – the risk that funds might not be available to meet commitments because the Fund's assets are not readily marketable or easily turned into cash.
- **Market risk** – the risk that the Fund's financial instruments may suffer an adverse change in value, which is common to an entire class of assets or liabilities.

Responsibility for Fund investments has been delegated to the Council's Pensions and Investments Committee (the Committee). Day to day responsibility for the management of the Fund is delegated to the Director of Finance and ICT; the investments are managed by a combination of internal and external investment managers and investment advice is provided by an independent investment advisor. The Fund's overall risk management procedures focus on the unpredictability of financial markets and are structured to implement suitable controls to minimise these risks.

As required by the Fund's Investment Strategy Statement, the Fund is invested in accordance with the Strategic Asset Allocation guidelines, to maximise returns within appropriate levels of risk, taking into account the Fund's liabilities and projected cashflows.

These Strategic Asset Allocation guidelines were approved by the Pensions and Investments Committee.

Economic background, market returns, asset allocation, investment activity, investment strategy and investment performance are monitored and reviewed by the Committee on a quarterly basis.

Credit risk

The Fund is primarily exposed to credit risk through its daily treasury management activities and through its forward currency contracts, which address the currency risk on overseas bonds. Credit risk on cash deposits and short-term loans arises from deposits with banks, financial institutions and UK government and local authorities. Credit risk on forward currency contracts arises from contracts with large banks.

There is also a credit risk in respect of income due at the year end from the Fund's direct property tenants. As at 31 March 2023, the Fund was owed rent totalling £0.667m (31 March 2022, the Fund was owed rent totalling £0.556m). Whilst the Fund's discretionary direct property manager is actively managing the collection of this rent, the aftermath of the Covid-19 pandemic, together with inflationary pressures and challenging economic conditions, has had a significant impact on the trading and cash flows of some of the Fund's tenants. The Fund has provided a credit loss allowance of £0.296m (31 March 2022, £0.195m) against these rents in Note 17, Current Assets, calculated based on a tier risk rating system, using information provided by both the in-house investment management team and the discretionary direct property manager.

	Rental Income Debt 31 Mar 2023 £m	General Loss Allowance £m	Total Loss Allowance 31 Mar 2023 £m
Property Rental Income	**0.667**	**0.296**	**0.296**

A reconciliation of the opening and closing balances of the potential credit losses on the Fund's financial assets for the year ended 31 March 2023 is provided as follows:

	Value at 31 Mar 2022 £m	Change in average default risk rate £m	Value at 31 Mar 2023 £m
Credit Loss Allowance	**0.195**	**0.101**	**0.296**

Treasury activities – The Fund places security of capital and liquidity ahead of investment return. Credit risk on treasury activities is minimised through the Fund's annual Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poor's Ratings Services and are approved counterparties on this basis. Investments with local authorities, the Government's Debt Management Office, UK Treasury Bills and Certificates of Deposit are also permissible. The Fund has agreed maximum loan durations and joint limits for each counterparty.

The limits for financial institutions are based on the above credit assessment and are approved each year. The financial institutions' credit ratings and supplementary information are monitored throughout the year to ensure compliance with the policy.

The Fund's Treasury Management Strategy for 2022-23 was approved by the Pensions and Investments Committee on 2 March 2022.

The Fund's maximum exposure to credit risk in relation to its treasury/cash deposit investments and operating cash in banks, building societies, money market funds and UK local authorities of £125.694m (2022, £223.247m) cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare, generally, for such entities to be unable to meet their commitments; the approach to risk assessment taken by the Fund makes this remote.

A risk of non-recovery applies to all of the Fund's deposits, but there was no evidence at 31 March 2023 that this was likely to occur. No breaches of the Fund's counterparty criteria occurred during the reporting period. At 31 March 2023, the Fund had £31.777m in its operational account with Lloyds Bank.

Forward currency contracts – Credit risk from forward currency contracts is minimised by limiting the extent of these contracts to managing the US Dollar and Euro currency risk on sovereign fixed income holdings, and from 2021-22 onwards, the Fund's Infrastructure, Multi-Asset Credit and Indirect Property investment assets, following a change to the Fund's Investment Strategy Statement to also currency hedge these assets, the value of which comprise 6.1% (2022, 5.1%) of investment assets at the year end, and by selecting large banks as the counterparties. The two forward currency contracts at the year-end are with Bank of New York Mellon.

The maximum credit risk exposure on forward currency contracts is the full amount of the foreign currency which the Fund pays when settlement occurs, should the counterparty fail to pay the amount which it has committed to pay the Fund. At the year end, there were two currency hedging contracts, with less than six months to expiry, with a gross contract value of £360.439m (2022, two contracts, with less than six months to expiry, with a gross contract value of £309.258m). The Fund does not expect any losses from non-performance by any of its counterparties in relation to these contracts. The investment asset in Note 13 associated with these forward currency contracts, which is the difference between the Sterling value the Fund has contracted to receive on expiry of the contracts and is what would theoretically have been receivable based on the exchange rate at the year end, is £0.988m (31 March 2022, £0.592m investment liability).

Other financial assets – Bonds mainly include investments in UK and US Government securities and certain corporate bond funds. The Fund does not expect any losses from non-performance by any of its counterparties in relation to these financial assets.

Market prices generally incorporate credit assessments into valuations and risk of loss is implicitly provided for in the carrying value of the financial assets as they are marked to market. The market value of financial assets represents the Fund's exposure to credit risk in relation to those assets.

The selection of high-quality counterparties, brokers and financial institutions minimises credit risk that may occur during settlement of transactions.

Liquidity risk

The Fund continues to be cash flow positive, with combined contributions and investment income exceeding benefit payments. There is, therefore, no present requirement to realise assets in order to meet liabilities to pay benefits, as these are more than covered by contributions and investment income, and there is net cash available for investment. The Fund does, however, sell investments from time to time as part of normal investment management activities.

The majority of the Fund's investments are readily marketable and may be easily realised, if required. Emphasis is placed on treasury deposits of up to six months' duration to ensure that longer term investment strategy is not compromised by lack of liquidity. Listed equities may also be liquidated at short notice, normally two working days. Holdings of investments which may be less easy to realise are limited. Current Pensions and Investments Committee guidelines limit investments in Property to 12%, Multi Asset Credit to 8%, Infrastructure to 13% and Private Equity to 6%.

Sufficient funds are retained on instant access accounts to ensure that payment of benefits and the settlement of investment transactions can be made without the need to borrow.

The Fund manages its liquidity position using a comprehensive cash flow management system, as required by the CIPFA Code of Practice.

Maturity analysis for liabilities at the year-end:

- There were no financial liabilities within the portfolio at the year-end other than those that arose from the trading of investments. Such liabilities fall due within 12 months of the year end.
- There were no derivative financial liabilities held at the year-end in respect of the currency hedging contracts referred to above (2021, two).

Market risk

The Fund is exposed to market risk because it is inherent in the investments the Fund makes. It can result from changes in such measures as interest and exchange rates and changes in prices due to factors other than these. This risk cannot be eliminated but it can be reduced.

The objective of market risk management is to manage and control market risk exposure to within acceptable parameters, whilst optimising the return on risk. Excessive volatility in market risk is managed through diversification. Risk reduction arises from the different investments not being perfectly correlated.

The Fund has applied diversification at various levels; that is, diversification between countries, asset classes, sectors and individual securities. Diversification reduces both the upside and downside potential and allows for more consistent performance under a wide range of economic conditions.

Risk of exposure to specific markets is limited by adhering to defined ranges within the asset allocation guidelines, which are monitored and reviewed by the Committee on a quarterly basis.

Interest rate risk – This risk primarily impacts on the valuation of the Fund's bond holdings, in particular the Fund's sovereign bond, non-Government investment grade bonds and diversified multi-asset credit portfolios. Interest rate sensitivity can be estimated by multiplying an assumed change in the prevailing market interest rate by the portfolio benchmark duration. The table below shows the estimated impact of a ±100 basis points (±100 bps) in the prevailing market interest rate for these assets.

	Value at 31 Mar 2023 £m	Benchmark duration Years	Change in prevailing market interest rate	Effect -100bps £m	Effect +100bps £m
Asset type					
Conventional gilts	282.771	9.23	±100bps	26.100	(26.100)
Index-linked bonds	291.383	16.99	±100bps	49.506	(49.506)
Non-Government investment grade bonds	337.078	6.67	±100bps	22.483	(22.483)
Short dated investment grade bonds	47.589	2.67	±100bps	1.270	(1.270)
Diversified multi-asset credit funds	231.352	1.00	±100bps	2.314	(2.314)
Total change in asset values	**1,190.173**			**101.673**	**(101.673)**

The position at 31 March 2022 was:

	Value at 31 Mar 2022 £m	Benchmark duration Years	Change in prevailing market interest rate	Effect -100bps £m	Effect +100bps £m
Asset type					
Conventional gilts	271.433	11.10	±100bps	30.156	(30.156)
Index-linked bonds	347.380	20.40	±100bps	70.866	(70.866)
Non-Government investment grade bonds	378.001	7.50	±100bps	28.350	(28.350)
Short dated investment grade bonds	48.877	3.00	±100bps	1.466	(1.466)
Diversified multi-asset credit funds	264.752	1.00	±100bps	2.648	(2.648)
Total change in asset values	**1,310.443**			**133.486**	**(133.486)**

A 100 basis points increase in the prevailing market interest rate would reduce the aggregate value of the identified assets by an estimated £101.673m (2022, £133.486m), whereas a 100 basis points reduction in the prevailing market interest rate would increase the aggregate value of the identified assets by a comparable amount. It should also be noted that both non-Government investment grade bonds and diversified multi-asset credit funds are also sensitive to changes in the interest rate spread, which is the interest rate received relative to sovereign bonds, which can either increase (reducing asset values) or reduce (increasing asset values).

The duration in respect of the Fund's private debt assets, together with cash, is not significant.

The Fund has a number of strategies for managing interest rate risk. Interest rates and the durations of the bond portfolios are monitored during the year, by the Fund's in-house and external managers. Within the annual Treasury Management Strategy, maximum limits are set for fixed and variable interest rate exposure. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long-term returns, subject to liquidity requirements.

Other price risk – Other price risk originates from factors specific to the individual instrument or to its issuer, or from factors affecting all instruments in the market.

The Fund manages price risk by holding fixed interest bonds, index-linked stocks and property and by holding a diversified equity portfolio spread geographically, across market sectors and across investments. Contracts specify the level of risk to be taken by the external Fund managers investing in overseas equities. These external managers are monitored by in-house managers.

A Fund specific benchmark has been drawn up, which is designed to meet the Fund's performance requirements for the level of risk agreed by the Committee. Economic background, asset allocation, recent transactions, investment strategy and performance are monitored by the Committee on a quarterly basis.

The impact of current global economic conditions on investment values is considered in Note 5.

The table below quantifies the level of price risk that the Fund's investment assets and liabilities at 31 March 2023 are potentially exposed to. Potential price changes are determined based on the observed historical volatility of asset class returns, for example, 'riskier' assets such as equities display greater potential volatility than bonds. The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the last three years. The volatility shown for total investment assets and liabilities in both tables below incorporates the impact of correlation across asset classes, which dampens volatility, therefore the value on increase/decrease figures of the asset classes will not sum to the total assets figure.

	Value at 31 Mar 2023 £m	Change %	Value on increase £m	Value on decrease £m
Underlying asset type				
UK Government bonds	240.065	10.24	264.648	215.482
UK index-linked bonds	236.494	13.18	267.664	205.324
Corporate bonds	385.352	9.41	421.614	349.090
Overseas index-linked bonds	54.889	11.13	60.998	48.780
Overseas bonds	43.694	4.37	45.603	41.785
UK equities	901.820	12.74	1,016.712	786.928
Overseas equities	2,115.346	12.64	2,382.726	1,847.966
Private equity	286.569	7.35	307.632	265.506
Infrastructure	639.728	3.31	660.903	618.553
Multi asset credit	421.505	3.67	436.974	406.036
Cash	93.917	0.56	94.443	93.391
Other investment balances	4.434	0.00	4.434	4.434
Properties (non-financial instruments)	466.210	6.20	495.115	437.305
Total investment assets and liabilities	**5,890.023**	**7.67**	**6,341.788**	**5,438.258**

The position at 31 March 2022 was:

	Value at 31 Mar 2022 £m	Change %	Value on increase £m	Value on decrease £m
Underlying asset type				
UK Government bonds	229.664	5.91	243.237	216.091
UK index-linked bonds	281.094	9.67	308.276	253.912
Corporate bonds	427.563	7.00	457.492	397.634
Overseas index-linked bonds	66.287	7.40	71.192	61.382
Overseas bonds	41.177	4.02	42.832	39.522
UK equities	890.573	16.02	1,033.243	747.903
Overseas equities	2,248.506	13.60	2,554.303	1,942.709
Private equity	305.449	9.30	333.856	277.042
Infrastructure	509.749	4.19	531.107	488.391
Multi asset credit	417.472	6.01	442.562	392.382
Cash	182.079	0.13	182.316	181.842
Other investment balances	3.013	0.00	3.013	3.013
Properties (non-financial instruments)	486.406	3.71	504.452	468.360
Total investment assets and liabilities	**6,089.032**	**8.15**	**6,585.288**	**5,592.776**

Currency risk – The Fund is exposed to currency risk through its unhedged overseas currency denominated investment assets. Except for overseas sovereign bonds, infrastructure, multi-asset credit and indirect property investments, the Fund's exposure to overseas currency risk is not hedged. If Sterling weakens, this currency exposure will make a positive contribution to the Fund's performance in Sterling terms.

The table below quantifies the level of currency risk that the Fund's overseas currency denominated investment assets at 31 March 2023 are potentially exposed to. For the categories of assets where there are investments denominated in overseas currencies, the potential aggregate currency exposure within the Fund at 31 March 2023 is determined using a currency "basket" based on that asset category's currency mix at that date. The weight of each currency multiplied by the change in its exchange rate relative to Sterling is summed to create the aggregate currency change of the basket. As currency risk on the hedged assets is managed using forward currency contracts, the currency risk on these assets is nil, and this is shown as 0.0% below. The outcomes are then applied to all overseas currency denominated assets.

	Value at 31 Mar 2023 £m	Change %	Value on increase £m	Value on decrease £m
Underlying asset type				
Overseas index-linked bonds	54.889	0.00	54.889	54.889
Overseas bonds	43.694	0.00	43.694	43.694
Overseas equities	2,115.346	7.28	2,269.343	1,961.349
Overseas private equities	105.441	7.32	113.159	97.723
Overseas infrastructure	184.799	0.00	184.799	184.799
Overseas multi asset credit	86.854	0.00	86.854	86.854
Overseas cash	1.436	8.86	1.563	1.309
Overseas properties (funds)	51.479	0.00	51.479	51.479
Overseas investment assets	**2,643.938**	**6.02**	**2,803.103**	**2,484.773**

The position at 31 March 2022 was:

	Value at 31 Mar 2022 £m	Change %	Value on increase £m	Value on decrease £m
Underlying asset type				
Overseas index-linked bonds	66.287	0.00	66.287	66.287
Overseas bonds	41.177	0.00	41.177	41.177
Overseas equities	2,248.506	7.12	2,408.600	2,088.412
Overseas private equities	119.670	6.99	128.035	111.305
Overseas infrastructure	240.318	0.00	240.318	240.318
Overseas multi asset credit	77.800	0.00	77.800	77.800
Overseas cash	1.630	8.30	1.765	1.495
Overseas properties (funds)	52.630	0.00	52.630	52.630
Overseas investment assets	**2,848.018**	**5.80**	**3,013.203**	**2,682.833**

22. Actuarial Present Value of Promised Retirement Benefits

Below is an extract from the Report of the Actuary, showing the actuarial present value of the Fund's promised retirement benefits, required by the Code. If an actuarial valuation has not been prepared at the date of the financial statements, IAS 26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation is carried out using assumptions in line with IAS 19 and not the Fund's funding assumptions.

"The promised retirement benefits at 31 March 2023 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures below include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

	31 Mar 2022	31 Mar 2023
	£m	£m
Active members	*3,668.000*	*2,358.000*
Deferred members	*1,648.000*	*1,005.000*
Pensioners	*2,927.000*	*2,445.000*
Present Value of Promised Retirement Benefits	***8,243.000***	***5,808.000***

It should be noted the above figures are appropriate for the Administering Authority only for the preparation of the Pension Fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS 19 report and are different as at 31 March 2023 and 31 March 2022. I estimate that the impact of the change in financial assumptions to 31 March 2023 is to decrease the actuarial present value by £3,185m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £44m.

Financial assumptions

Year ended (% p.a.)	31 Mar 2022 %	31 Mar 2023 %
Pension Increase Rate (CPI)	*3.20*	*2.95*
Salary Increase Rate	*4.20*	*3.95*
Discount Rate	*2.70*	*4.75*

Demographic assumptions

The longevity assumptions have changed since the previous IAS 26 disclosure for the Fund. Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long-term rate of improvement of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current Pensioners	*21.0 years*	*24.0 years*
*Future Pensioners**	*21.8 years*	*25.5 years*

**Future pensioners are assumed to be aged 45 at the latest funding valuation of the Fund.*

All other demographic assumptions are unchanged from last year and as per the latest funding valuation of the Fund.

Sensitivity Analysis
CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the obligations are set out below:

Change in assumption at 31 March 2023	**Approximate increase to promised retirement benefits %**	**Approximate monetary amount £m**
0.1% p.a. decrease in the Discount Rate	*2%*	*107*
1 year increase in member life expectancy	*4%*	*232*
0.1% p.a. increase in the Salary Increase Rate	*0%*	*13*
0.1% p.a. increase in the Pension Increase Rate (CPI)	*2%*	*96*

Barry Dodds FFA
19 June 2023
For and on behalf of Hymans Robertson LLP

The actuarial present value of promised retirement benefits in the Report from the Actuary above is £5,808.000m at 31 March 2023, compared to the net assets available for benefits at that date of £5,922.701m. The actuarial valuation at 31 March 2023 set contribution rates from 1 April 2023.

23. Participating Employers

The participating employers with active members in the Fund are Derbyshire County Council (which is also the Administering Authority), Derby City Council (Unitary Authority), District Councils (which are Scheduled Bodies) and further Scheduled Bodies and Admission Bodies.

Contributions and benefits, by participating employer type, in respect of the year, are as follows:

	2021-22		2022-23	
	Benefits	Contributions	Benefits	Contributions
	£m	£m	£m	£m
Derbyshire County Council	85.909	75.052	91.040	75.686
Scheduled Bodies	92.468	112.417	97.062	121.502
Admission Bodies	7.201	6.067	7.308	5.580
	185.578	**193.536**	**195.410**	**202.768**

AUDITOR'S OPINION – PENSION FUND ACCOUNTS

Audit Opinion to be inserted

AUDITOR'S OPINION – PENSION FUND ACCOUNTS

Audit Opinion to be inserted

AUDITOR’S OPINION – PENSION FUND ACCOUNTS

Audit Opinion to be inserted

AUDITOR'S OPINION – PENSION FUND ACCOUNTS

Audit Opinion to be inserted

AA rated corporate bonds
Financial indicator of very good quality, low risk debt securities. These are assigned by credit rating agencies such as Moody's, Standard & Poor's and Fitch Ratings to have letter designations (such as AAA, B, CC).
Account
A group of expenditure items or balances with similar qualities will be summated into an 'account' balance such as an individual reserve account, or revenue expenditure account.
Accounting Policies
The Councils document outlining how it will account for all of its operations.
Accounting Principles
Commonly accepted set of concepts or assumptions that have to be followed when producing financial statements.
Accounting Standard
Statutory guidelines which explain how to treat financial activities in the financial statements. See International Financial Reporting Standards (IFRS).
Accrual
The accruals concept requires that the cost or benefit of a transaction is shown in the period to which the goods or services are received or provided, rather than when the cash is paid or received.
Accruals Concept
Requires operations of the Council to be reported in the financial statements at the point which they took place, rather than when the cash was paid or received.
Accumulating Absences
Types of leave which employees are entitled to each year; which if untaken in one financial year will be added to the entitlement for the following year.
Acquired / Acquisition
Operations or assets which have become the responsibility of the Council, such as through purchase, a Government reorganisation, donation or merger.
Actuarial
The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.
Actuaries
An actuary is a professional who deals with the financial impact of risk and uncertainty. Actuaries provide assessments of financial systems and balances.
Amortisation
The term used to describe the charge made for the cost of using intangible fixed assets. The charge for the year will represent the amount of economic benefits consumed for example wear and tear.
Amortised Cost – Financial Instruments
The valuation of a financial asset or liability based on repayments of principal, interest accrued at a constant rate and the difference between the initial amount recognised and the maturity amount. For financial assets this is adjusted by any loss allowance.

Amortised Cost – Other Non-Current Assets
The cost of intangible assets reduced by the amount of amortisation charged to date.

Annual Leave
Yearly entitlement of paid time off for Council staff.

Asset Register
Listing of all property (for example land, buildings, furniture, infrastructure, software) owned by the Council. The register holds all financial information relating to the asset.

Assets
Right or other access to future economic benefits.

Assets Held For Sale
Non-Current Assets which meet the relevant criteria to be classified as held for sale.

Assets Under Construction
Assets which are in the process of being constructed and are not yet operational.

Associates
An entity (including partnerships) which is not a subsidiary or joint venture, where the Council has significant influence.

Authorised For Issue
The date which the financial statements have been certified by External Audit and signed the relevant Officers and Members of the Council.

Balance Sheet
Shows all balances including reserves, long-term debt, fixed and net current assets, together with summarised information on the fixed assets held.

Balance Sheet Date
The date at which the Council reports its financial statements. For Derbyshire County Council, this date is the 31 March.

Bias
Influence or direction.

Billing Authorities
Councils who are responsible for issuing Council Tax Invoices and collection of income from local residents. The relevant share of that income is then transferred to the Council**.**

Borrowing Requirement
The amount required to be loaned from Money Markets or other financial institutions or Councils in order to support capital expenditure.

Business Rates
Local property taxation issued to businesses, similar to Council Tax on residential properties. Also known as National Non Domestic Rates (NNDR).

Cabinet
Sub-committee of elected Councillors representing the functions and portfolios of the Council.

Capital
Assets which have a long term value (more than one year) to the Council such as Buildings.
Capital Adjustment Account
Capital reserve largely comprising of resource applied to capital financing and is not available to the Council to support new investment.
Capital Appreciation
Increase in the worth of assets over time due to changes in market conditions or enhancements to the asset.
Capital Costs
Reflects the element of annual payment for PFI or Leased assets which is in relation to the reduction in the long term debt associated with the asset.
Capital Expenditure
Expenditure on the acquisition of, or enhancement to fixed assets. This cannot be merely to maintain the value of an existing asset.
Capital Financing Requirement
The Capital Financing Requirement measures the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income. It is a measure of the underlying need to borrow for a capital purpose.
Capital Grant
Grant which is intended to fund capital expenditure.
Capital Grants Unapplied Reserve
Balance of capital grants received which is available to finance future capital expenditure.
Capital Receipts
Income received from the sale or utilisation of property, such as sale proceeds or rental income on finance leases.
Capital Reserves
Reserve balances held for capital purposes.
Carrying Value
The amount at which an asset is recognised after deducting any accumulated depreciation and impairment losses.
Cash Flow Statement
This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.
Cash Flows
Monies received or paid either as cash or bank transactions. Cash inflow denotes money received, cash outflow denotes money paid.
Chartered Institute of Public Finance And Accountancy (CIPFA)
The main authority on accountancy and financial management for the public services in the UK.

CIPFA Code
A publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) that provides comprehensive guidance on the content of a Council's Statement of Accounts
Collection Fund
The fund maintained by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).
Collection Fund Adjustment Account
Revenue reserve to represent the difference between the income received by a local authority in Council Tax and the amount attributable to them.
Collection Fund Statements
The statutory financial statements produced as part of the Statement of Accounts by authorities who have responsibility to bill Council Tax and Non-Domestic Rate payers (billing authorities).
Community Assets
Assets which are held for the benefit of the community where there is no determinable useful life.
Comparative Year
The previous year to that which is being reported.
Component Accounting
The concept that individual parts of an asset (such as land, building, roof, sheds) should be treated differently in the financial statements dependent on the expected useful life or value of those individual parts. The concept expects that some parts of an asset require repair or replacement sooner than others.
Comprehensive Income And Expenditure Statement
Financial Statement detailing the revenue operations of the Council. This represents the private sector equivalent of a Profit and Loss Statement.
Condition
A requirement which must be met for an asset or liability to be recognised by the Council. For example, a donation which can only be spent within a specific service area such as museums or to support children.
Contingent Assets And Liabilities
A possible asset or obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council.
Contract Asset
The Council's right to receive consideration in exchange for goods or services that it has transferred to a service recipient where that right is conditional on something other than the passage of time (such as the Council's future performance).
Contract Liability
The Council's obligation to deliver goods or services to a service recipient for which it has already received consideration.
Contributions
Income received by the council which is not a grant, donation, fine, or in direct exchange for goods or services.

Core Service Areas
The services provided by the Council externally, such as education, highway maintenance and adult social care.

Corporate And Democratic Core
Costs associated with maintaining a democratic representation and management within the Council. For example Members Allowances and administrative costs associated with supporting elected Members.

Council
The Council comprises all of the democratically elected Councillors who represent the various electoral divisions.

Council Tax
Council Tax is a local taxation that is levied on dwellings within the local Council area, and funds all Council services.

Credit
A credit represents income to a revenue account.

Credit Loss
The difference between contractual amounts due to the Council and the amounts it expects to receive.

Creditor
Represents the amount that the Council owes other parties.

Current Service Cost
The current service cost is the increase in the value of the pension schemes future pension liabilities arising from the employees on-going membership of the pension scheme.

Current Value
IFRS13 introduces the concept of current value and defines it as the measurements that reflect the economic environment prevailing for a service or function the asset is supporting at the reporting date. Current value can be fair value, existing use value, existing use value – Social Housing and depreciable replacement cost.

Current Year Entry
A transaction which has occurred in the financial year being reported.

Curtailments
Materially reducing the expected years of future services of current employees or eliminating for a significant number of employees the accrual of defined benefits for some or all of their future services.

Debit
A debit represents expenditure against a revenue account.

Debt Outstanding
The remaining principal balance owed on a loans or investments.

Debtors
Represents the amounts owed to the Council.

Equity Instrument
A contract which evidences a residual interest in the assets of another entity after deducting all of its liabilities. Examples include shares and derivatives that give the Council the right to receive a fixed number of shares for a fixed amount of cash (or another financial asset) in an exchange which is expected to be favourable to the Council.

Defined Benefit Scheme
Also known as a Final Salary Scheme. Pension scheme arrangement where the benefits payable to the members are determined by the scheme rules. In most cases there is a compulsory members' contribution but over and above this all costs of meeting the quoted benefits are the responsibility of the employer.

Defined Contribution Scheme
Also known as a Money Purchase Scheme. Pension scheme arrangement where the employer's liability is restricted to the amount that they contribute. Benefits payable to the members depend on the performance of the invested contributions of the members and the employer, the level of contributions invested, the charges deducted by the product provider and the annuity rate at retirement.

De-Minimis
Minimum level required. For example expenditure below the capital de-minimis is below the minimum level required to be treated as a capital expenditure item.

Department For Education
Central Government Department, responsible for education and children's services in England.

Depreciable Replacement Cost (DRC)
DRC is a method of valuation that provides the current cost of replacing an asset with its Modern Equivalent Asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

Depreciation
The term used to describe the charge made for the cost of using tangible fixed assets. The charge for the year will represent the amount of economic benefits consumed by, for example, wear and tear.

Derecognition
The process whereby a component is replaced to avoid double counting when no future economic benefits or service potential are expected from its use or upon disposal.

Discount
An allowance received through the early repayment of debt.

Discounted
Reflecting the equivalent value today of a payment or income made or due in the past or future.

Discounted Cash Flow
A method of analysing future cash flows, by removing the impact time has on the value of money, and producing an equivalent current value (present value).

Discretionary Benefits
Benefits given to employees which are not statutorily obliged.
Disposal
Operations or assets which have left the responsibility of the Council, such as through sale, a Government reorganisation, donation or merger.
Donated Assets
Assets which have been acquired at below market cost.
Dowry
One off payment made as donation, contribution or pre-payment of an obligation.
Earmarked Reserves
Reserve balances which have been set aside for future spending in a specific area.
Economic Life
The number of years the Council is expected to receive economic benefits to deliver services.
Effective Rate
The interest rate embedded within a contract or lease, allowing for regular annual payments and the time value of money.
Employee
A person who holds an office within the Council, but does not include a person who is an elected Councillor.
Employee Benefits
Monetary or other awards to employees of the Council in exchange for services provided. For example, pay, holidays, and pensions.
Employee Costs
The costs directly associated with employees, including but not exhaustively salaries and wages, National Insurance contributions and pension’s costs.
Employer Contributions
The payments made to an employee’s pension scheme by the Council.
Enhancement Expenditure
Expenditure which increases the value of an asset.
Entity
Something with a legal status such as the Council, a company, or an individual.
Events After The Balance Sheet Date
An event which occurs between 31 March and the date that the accounts are signed which would alter the conclusion reached by any reader of the accounts.
Exceptional Items
Material items that result from the ordinary activities of the Council, but to a value so significantly abnormal that is not expected to recur at that level.
Existing Use Value (EUV)
The value of an asset based on what it is currently being used for. For example, two identical buildings in construction and design may have different values where one is used as a school and another is used as offices.

Exit Packages
The payment made to an employee upon leaving the Council.
Expenditure
Payments made of goods or services.
Fair Value
The income that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Fair Value Through Other Comprehensive Income (FVOCI)
Measurement of a financial asset at fair value where any gain or loss on revaluation is recognised in other comprehensive income and expenditure and taken to the Financial Instrument Revaluation Reserve.
Fair Value Through Profit or Loss
Measurement of a financial asset at fair value where any gain or loss on revaluation is recognised as a credit or charge to Surplus or Deficit on Provision of Services within the CIES.
Finance Income
Interest receipts.
Finance Lease
A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.
Financial Assets
A type of financial instrument which gives the Council the right to receive future economic benefits.
Financial Instruments
An umbrella term to describe all financial services and trading with which the Council may operate, including loans, borrowings, bank accounts and debtors.
Financial Instruments Adjustment Account
Revenue reserve which records the timing differences between the rate at which gains and losses are recognised and the rate at which debits and credits are required to be made against Council tax.
Financial Instruments Revaluation Reserve
This reserve contains the cumulative gains and losses relating to the valuation of financial assets held at fair value through other comprehensive income. When the underlying financial assets are de-recognised any gains or losses held in this reserve are credited or expensed to the Surplus or Deficit on Provision of Services.
Financial Liabilities
A type of financial instrument that confers an obligation on the Council to transfer economic benefits under its control.
Financial Statements
Published document, consisting of the Balance Sheet, Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Cash Flow Statement and Notes to the Accounts.
Financial Year
The current year being reported upon running from 1 April to 31 March.

Five Year Financial Plan
The Councils Medium Term Financial Plan, setting out the financial projection for the Council over the coming 5 years.
Fixed Assets
See Non-Current Assets.
Flexi-Time
Time owed to employees who have worked above the contracted hours.
Gain
Where income exceeds expenditure.
General Provisions
Money set aside in the Balance Sheet where its future use is not known.
General Reserve
The reserve held by the County Council for general purposes, i.e. against which there are no specific commitments.
General Revenue Government Grants
Grant income received from Central Government (or Government Department) which is not restricted in its use.
Going Concern
The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.
Goods Or Services
Supplies required by the Council to perform its operations. Examples of goods; paper, bricks or light bulbs, and services; electricity, petrol or agency staff.
Grants
Payment towards the cost of local authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (formula grant).
Group Accounts
Where a Council has a controlling interest in another organisation, group accounts have to be produced. These accounts report the financial position of all of the group entities.
Hire Purchase
A contract for the provision of an asset which becomes the property of the lessee at the end of the contract period.
Historic Cost
The cash paid in obtaining an asset in its current form. Inclusive of purchase price and enhancement expenditure.
HM Revenue & Customs
Her Majesty's Revenue and Customs is a non-ministerial department of the UK Government responsible for the collection of taxes, the payment of some forms of state support, and the administration of other regulatory regimes including the national minimum wage.

HM Treasury
Her Majesty's Treasury, sometimes referred to as the Exchequer, or more informally the Treasury, is the United Kingdom government department responsible for developing and executing the British government's public finance policy and economic policy.

IFRIC
International Financial Reporting Interpretation Committee.

Immateriality
Immateriality is an expression of the relative insignificance or unimportance of a particular matter in the context of the financial statements as a whole.

Impairment
Impairment is the amount by which the carrying amount of an asset exceeds its recoverable amount.

Inception
The point in time which something began such as a project, contract or lease.

Income
Cash flows into the Council.

Income From Service Recipients
Consideration a party, that has contracted with the Council, has given in exchange for goods or services that are the output of the Council's normal operating activities. Such a contract may be in writing, orally or in accordance with customary business practices.

Income In Advance
Income received before the point at which an obligation to receive it has occurred.

Infrastructure
A network and grouping of inalienable components, expenditure on which is only recoverable by continued use of the asset created i.e. there is no prospect of sale or alternative use. The inalienable components include carriageways, footways, cycle tracks, structures, street furniture, street lighting, traffic management systems and land.

Intangible Asset
Non-current assets which do not have physical form such as software.

Interest Accrued
Accrued interest is the interest on a bond or loan that has accumulated since the principal investment or since the previous coupon payment if there has been one already.

Interest Payable
The amount of interest due for payment within a financial year.

Interest Rate
The rate at which interest is calculated on a loan or investment.

Interest Receivable
The amount of interest due for receipt within a financial year.

International Accounting Standards (IAS)
Regulations outlining the method of accounting for activities, IAS's are currently being replaced with International Financial Reporting Standards (IFRS's) issued by the International Accounting Standards Board.

International Financial Reporting Standards (IFRS)
Regulations outlining the method of accounting for activities, issued by the International Accounting Standards Board.

International Public Sector Accounting Standards (IPSAS)
Public Sector regulations outlining the method of accounting for activities.

Inventories
Goods purchased in advance of their use which are held in store.

Investment Property
Assets held solely for the purposes of rental generation or for increasing the value pre-sale (capital appreciation) or both.

Joint Venture
An organisation which the Council has partial control and ownership, but decisions require the consent of all participants.

Lease
Financial contract for the continuing use of an asset.

Lease Interest
The interest rate inherent within a lease allowing for regular rental payments and an adjustment for the time value of money.

Lease Payments
Regular payment made in exchange for the use of an asset.

Leases
A method of funding expenditure by payment over a defined period of time.

Lessee
The person or organisation that is using or occupying an asset under lease (tenant).

Lessor
The person or organisation that owns an asset under lease (landlord).

Liabilities
An obligation to transfer economic benefits. Current liabilities are payable within one year.

Loans And Receivables
Financial assets which are not quoted in an active market and have either a fixed or determinable payment.

Loan Modification
A change to the terms of an existing loan. Changes may include a reduction in the interest rate, an extension of the loan term, or a reduction in the principal balance.

Loan Modification Gain/Loss
An amount arising from adjusting the carrying value of a loan to reflect the cash flows under the renegotiated terms of the loan, but accruing interest at the rate specified in the original loan terms.

Long Term Debtor
Income due in more than 365 days of the balance sheet date.

Long Term Liability
Payment due in more than 365 days of the balance sheet date.

Loss
Where expenditure exceeds income.

Loss Allowance
A reduction to the value of financial assets for the expected credit losses relating to those assets.

Materiality / Material
Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Maternity Leave
Statutory time off due to pregnant women and new mothers.

Members
Elected Councillors responsible for the democratic leadership of the Council.

Members Allowances
Allowances paid to members in association with their roles and responsibilities.

Minimum Lease Payments
The minimum which will be paid or received over the life of a lease agreement.

Minimum Revenue Provision (MRP)
A prudent amount of revenue set aside to contribute towards capital expenditure which has been financed by borrowing or credit arrangements.

Misstatement
An error whereby something was included in the accounts wrongly.

Modern Equivalent Asset (MEA)
The MEA should give the same service and performance as the existing asset, but should use modern materials and technology.

Movement In Reserves Statement (MiRS)
The statement detailing the movement in the reserves of the Council.

Net Cost Of Services
The direct cost of delivering the Councils services after allowing for specific income received by those services.

Net Operating Expenditure
The cost of operational items which are not direct services, such as disposing of the Councils assets, after allowing for specific income received.

Net Realisable Value
The estimated selling price of an asset in the ordinary course of operations less any completion costs and costs to make the sale, exchange or distribution.

Non Distributed Costs
The value of revenue operating expenditure that is not able to be apportioned to one of the authorities core service areas.

Non-Accumulating Absences
Types of leave an employee may take in a financial year, which if are not taken do not get added to the following year’s entitlement. For example, Sick Leave.

Non-Current Assets
Assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.

Non-Vesting
An obligation which cannot be settled by a monetary payment.

Notes To The Accounts
A set of supplementary comments, tables and information which further explains the main Financial Statements.

Obligation
The requirement to transfer economic benefits.

Operating Lease
A lease where an asset is used only for a small proportion of its economic life.

Operational
The normal activities of the Council.

Past Service Cost
Past service cost is the change in the present value of defined benefit obligations caused by employee service in prior periods.

Payment In Advance
A payment made which is before the point of any obligation.

Pension Liabilities
The cost, calculated by an Actuary, of providing the current members of a pension scheme with retirement benefits as set out in the pension scheme rules.

Pensions Costs
The benefits paid by the Council which are accrued during the period of employment and paid to ex-employees after retirement.

PFI
See Private Finance Initiative.

PFI Credits
The financial support provided to Local Authorities to part fund PFI capital projects.

Pooled Investment Funds Adjustment Account
This reserve contains the cumulative gains and losses related to pooled investment funds measured at FVPL as required by the statutory override. The override was originally effective for financial years 2018-19 to 2022-23 and has since been extended for a further two years to 2024-25.

Premium
A payment made in association with the early repayment of debt.

Pre-Payments
See payment in advance.

Present Value
See Discounted.

Previous Year Adjustments
These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.

Principal
The amount of repayment to a lender which relates to the reduction in the loan, rather than the interest paid on the loan.

Private Finance Initiative (PFI)
A Government initiative that enables, through the provision of financial support, Authorities to carry out capital projects through partnership with the private sector.

Projected Unit Method
This is a common actuarial funding method to value pension scheme liabilities.

Property, Plant And Equipment Assets (PPE)
Assets with a long Term value and physical substance such as buildings, land, IT equipment or vehicles.

Provisions
Potential costs that the Council may incur in the future because of something that happened in the past, which are likely or certain to be incurred and a reliable estimate can be made to the costs.

Prudent
A cautious approach to present the Financial Statements without significant risk of failure to achieve the assets presented.

Quoted Market Prices
A method of determining the fair value of financial assets via prices quoted on an active market.

Recognition
The process upon which assets are deemed to belong to the Council ether by purchase, construction or other form of acquisition.

Receivable
The Council’s unconditional right to receive consideration in exchange for goods or services that it has transferred to a service recipient.

Residual
The remaining value in an asset at the end of a contract or lease.

Retirement Benefits
Remuneration package received by employees after their retirement from the Council.

Retrospectively
Changes made to previous years accounts to alter the treatment which has previously been reported.

Revaluation Gain
The increase to the fair value of an asset following a valuation.

Revaluation Reserve
This reserve contains revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.

Revenue
The cost associated with providing Council services.

Revenue Expenditure
Expenditure which is not capital.

Revenue Expenditure Funded From Capital Under Statute (REFCUS)
This is expenditure that is classified as capital although it does not result in the creation of a fixed asset.

Revenue Grant
Grant which is not capital.

Risk
The chance of an asset not coming to fruition or a liability being greater than anticipated.

Royal Institute Or Chartered Surveyors (RICS)
An international organisation who represent everything professional and ethical in land, property and construction.

Salaries And Wages
Payments made to employees in exchange for service worked at the Council.

Service Concession Arrangements
Arrangements which involve the supply and maintenance of assets and service delivery.

Service Costs
Reflects the element of annual payment for PFI or Leased assets which is in relation to services provided within the contract.

Service Expenditure Reporting Code of Practice (SERCOP)
CIPFA guidelines on reporting revenue expenditure.

Service Level Agreements
Contract of service.

Short Term
Less than 365 days from the balance sheet date.

Short Term Benefits
Employee benefits earned and consumed during employment.

Significant
A measure of materiality where the value is deemed to be almost all of the total value in question.

Soft Loans
Low interest rate loans.

Spot Yields
A calculation of the projected return on bonds if held to maturity.

Staff
See employee.

Statute
Set out in legislation.

Straight Line Basis
The method of calculation of depreciation to allocate an equal amount of depreciation each year over an asset's useful life.

Support Services
Indirect costs of providing Council services including HR, Finance, Legal and Property Maintenance.

Surplus
Arises when income exceeds expenditure or when expenditure is less than available budget.
Surplus Assets
Assets which are no longer in operation.
Tangible
Physical, can be touched.
Tenant
The person or organisation that is occupying an asset under lease.
Termination Benefits
Employee benefits paid upon termination of employment such as redundancy.
The Code
CIPFA guidelines on accounting within Local Government.
Transactions
Individual items of income or expenditure.
Treasury Management
Utilisation of cash flows through investments and loans.
Unidentified Income
Income received by the Council where the reason for the income is unknown.
Unusable
Balances which are not available to support future spending.
Usable
Balances which are available to support future spending.
Useful Life
The period with which an asset is expected to be useful to the Council in its current state.
Value Added Tax
National taxation charged on goods and services.
Vesting
Obligation due which can be paid in cash.
Work In Progress
The fair value of incomplete contracts for goods and services which are to be charged to external customers.

If you require any further assistance

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Annual Governance Statement 2022-23

DERBYSHIRE County Council

Version Number	Date	Detail	Author
1.2	10/07/2023	Latest Draft - Updated comments and proposals	Governance Group

Contents

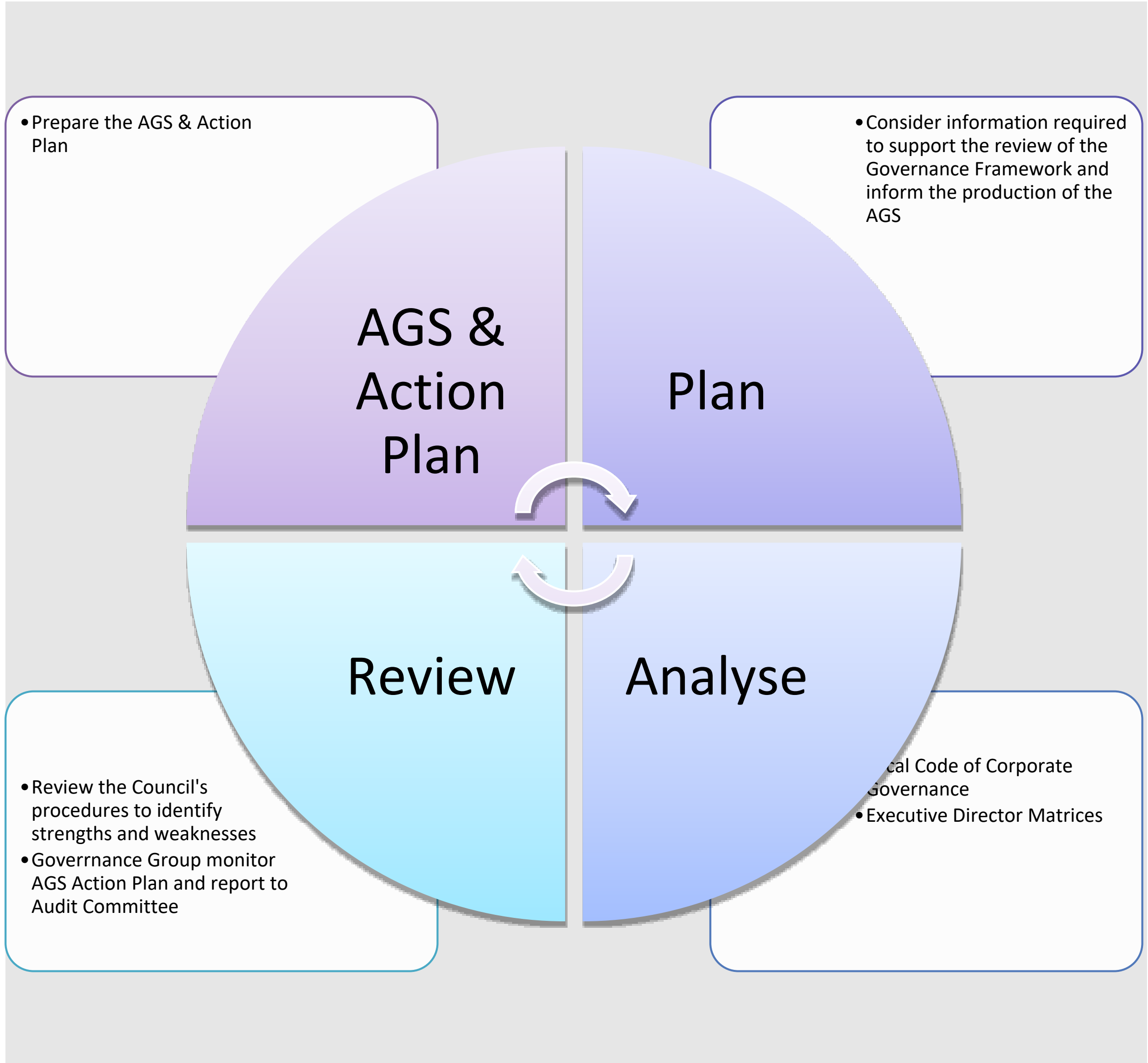
Introduction and the Purpose of the Governance Framework

Defining Corporate Governance

Corporate governance includes the systems, processes, and values by which councils operate and through which they engage with, and are held accountable to, their communities and stakeholders. Good corporate governance underpins credibility and confidence in public services.

Derbyshire County Council is committed to effective corporate governance and has prepared the Annual Governance Statement by: -

- Reviewing the Council's Governance Arrangements against the CIPFA / SOLACE Delivering Good Governance in Local Government Framework;
- Assessed the effectiveness of the Governance Arrangements against the Local Code of Corporate Governance;
- Obtaining Executive Director Assurance Matrices;
- Considering the impact of External Assessments; and
- Monitoring the progress against the recommendations in the 2021-22 AGS Action Plan.



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Scope of Responsibility

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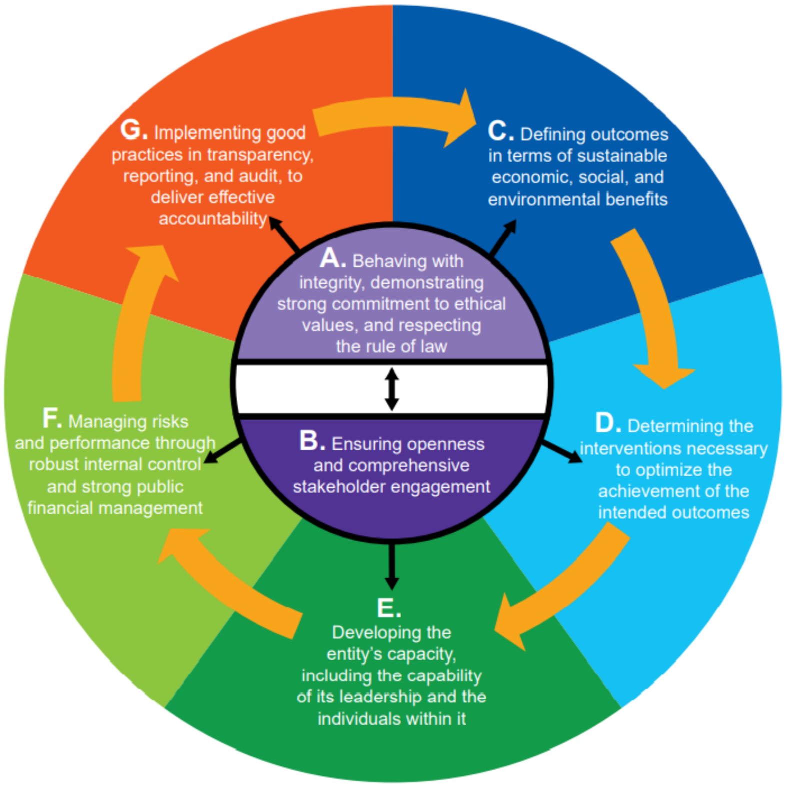


Source: International Framework: Good Governance in the Public Sector (CIPFA)

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised and is responsible for ensuring that its business is conducted in accordance with the law and relevant standards, that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

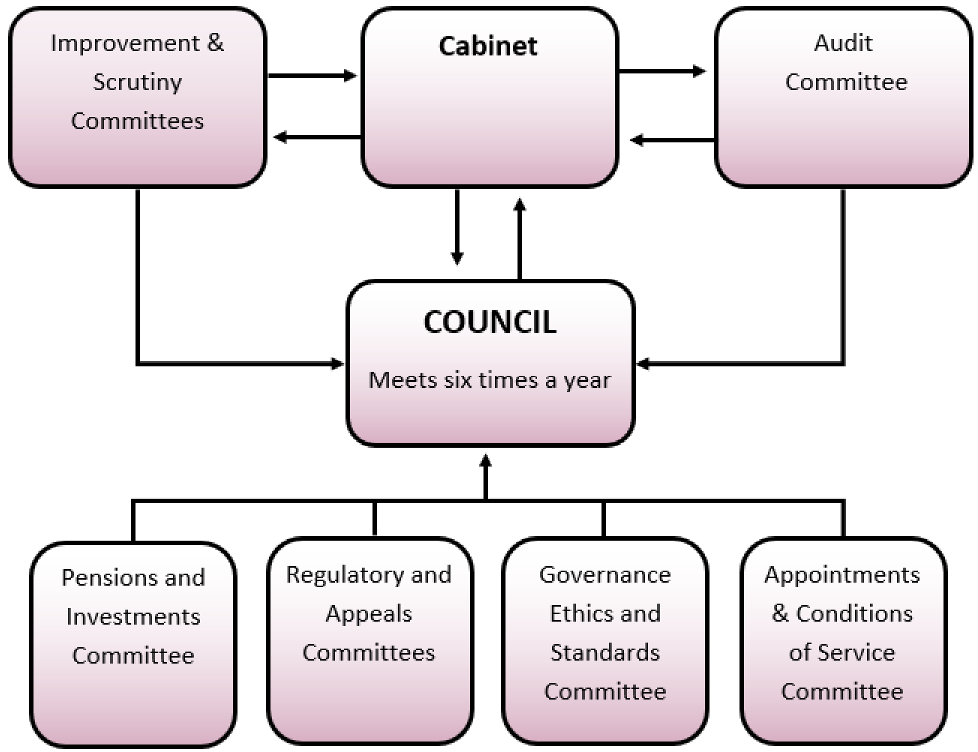
In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk. The Council has developed an approach to corporate governance to ensure that it is consistent with the CIPFA/SOLACE Framework Delivering Good Governance in Local Government and demonstrates its commitment to corporate governance as "good corporate governance underpins credibility and confidence in our public services".

This Statement explains how the Council demonstrates compliance with the Framework whilst meeting the requirements of Regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

Derbyshire County Council's Governance Framework and Structure

The governance framework comprises the systems, processes, and values by which the Council is directed and controlled and the activities through which it accounts to, engages with, and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically. The governance framework has been in place at the County Council for the year ended 31 March 2023 and up to the date of the Statement of Accounts being certified by the Director of Finance & ICT.



Council

- 64 Elected Members who are democratically accountable to residents of their electoral division
- Members follow a Code of Conduct to ensure high standards in the way they undertake their duties
- Meetings are generally open for the public to attend except where exempt or confidential matters are being discussed
- Decides the policy framework and sets the budget each year and major plans

Cabinet

- Consists of the Leader of the Council and eight Cabinet Members
- Responsible for guiding the Council in the formulation of its corporate plan of objectives and key priorities
- Has executive responsibility for the implementation of the Council's key goals and objectives

Governance, Ethics and Standards Committee

- Promotes and maintains high standards
- Assists Members in observing the Code of Conduct
- Advises the Council on matters relating to the Code
- Recieves regular reports on corporate complaints
- Advises on amendments to the Constitution

Appointments & Conditions of Service Committee

- Approves corporate employment policies
- Determines terms and conditions of service
- Specific role in the appointment and disciplinary procedure for certain senior officers

Improvement and Scrutiny Committees

- Five Committees which support the work of the Cabinet and the Council as a whole
- Allow citizens to have a greater say in Council matters by holding inquiries in public into matters of local concern
- Lead to reports and recommendations which advise the Cabinet and the Council as a whole on its policies, budget and service delivery, and other public bodies
- Monitor the decisions of the Cabinet
- They can 'call-in' a decision which has been made by the Executive but not yet implemented

Audit Committee

- Independently contributes to the Council's process of ensuring internal control systems are maintained
- Responsible for approving and monitoring progress of the annual Audit Plan
- Considers matters referred to the Committee by the Council's external auditor
- Approves the Annual Statement of Accounts and the Annual Governance Statement

The Annual Governance Statement 2022-23

Departmental Representatives attend the Governance Group and the group has made some progress in the last year to ensure that the areas for improvement identified in the 2021/22 Action Plan have been addressed, or there is a plan to do so. The Group has reviewed its terms of reference and has defined its role in ensuring good governance across the Council, with the Executive Director of Corporate Services and Transformation now chairing the meetings. During the year the Local Code of Corporate Governance has been finalised and approved by Audit Committee and reviews of lessons learnt from other public bodies and public interest reports have commenced. In addition, the Council's Constitution continues to be kept under review and is updated, as and when required, to strengthen the robustness and integrity of the governance framework. The main changes in 2022-23 include:

- A delegation to the Director of Public Health authorising the reimbursement of stop smoking pharmacotherapy products available on prescription only.
- Reference to the new Integrated Care Partnership (ICP) joint committee and their Terms of Reference, as well as an amended terms of reference for the Health and Wellbeing Board.
- An updated list of legislation under which the Council's Trading Standards Service can take enforcement action.
- Amended terms of reference of the Appointments and Conditions of Service Committee and revised Officer Employment Procedure Rules.
- Amended Cabinet Procedure Rules.
- Delegations to approve special severance payments.
- Amendments to the Local Choice functions and a number of consequential changes.

The Council continues to monitor the views and wellbeing of employees through the Employee Survey and is developing strategies to support our employees. However, there remain ongoing pressures in terms of staffing levels and recruitment to certain jobs and roles which nationally are seeing shortages of workforce supply which is proving to be a challenge for some services and functions which may prove to be difficult in the short term.

The external audit of the draft Statement of Accounts for 2021-22 has not yet been fully completed due to a variety of complex factors. This has caused a slight delay to the publication of the Council's 2022-23 unaudited accounts.

The economic shocks created by the invasion of Ukraine by Russia, has led to rising fuel and food costs, general inflation and fragile supply chains, these being the most significant challenge to the Council's financial resilience. Inflation has been running at above 10% for a number of months, however, it is due to fall significantly in the latter part of the 2023 calendar year. These impacts have created a cost of living crisis in the UK which has had a direct effect on certain Council services, residents and the wider economy with uncertainty when the situation will stabilise. Whilst the Council continues to demonstrate strong financial management even in these times of great uncertainty, there will be significant risks and challenges in the short to medium term as the Council is not immune from these economic shocks. The Council has had significant inflationary costs in 2022-23, as well as a pay award which was substantially higher than that estimated when setting the budget in February 2022. The additional funding announced in the Autumn Statement 2022 was welcome, but the Council still faces a myriad of financial pressures in both the short and medium term which will have to be managed prudently.

Other significant risks and challenges which must be addressed by the Council include the threat of cyber-attacks and climate change. This has been brought to the forefront of priorities following a cyber-attack against the Council in May 2022. Whilst the impact appears to have been limited in respect of any data loss and the Council has been able to continue with business as usual, so services were not directly affected, significant employee resources and other costs have been incurred to rectify the situation. The council are currently developing a new ICT Strategy which will incorporate a refresh of the cybersecurity strategy, underpinning how the council prepares for, and deals with cybersecurity threats. In addition, the resources required to limit and manage the impact of climate change are also potentially significant. In April 2022, Cabinet approved the adoption, delivery and publication of the Vision Derbyshire Climate Change Strategy (2022-2025) which focuses on reducing emissions across Derbyshire.

The Corporate Peer Challenge follow-up visit in October 2021 reviewed the progress the Council had made against the recommendations identified by the original report in 2018 where it was considered that the Council's approach to governance appeared to be sound. This follow-up review identified a range of areas where the Council's approach is positive, many of which are fundamental to good governance including leadership, priorities and performance management, partnerships and financial management and decision making. Although generally positive, the review made three recommendations to ensure that the Council maintains its momentum and continues to improve. Whilst the Council considered that it was already making progress in these areas, it outlined and agreed the next steps to address the recommendations. Key actions identified to support recommendations were included in the refresh of the Council Plan and an update on progress has been prepared and will be reported to Cabinet in July 2023 as part of the annual review progress.

The Council created 3 joint ventures with other organisations during 2020 to help deliver property services. In May 2020, PSP (Derbyshire) Limited was created to review, develop, and renew our property and land assets, subsequently changing its name to Develop Renew. In September 2020, Concertus Derbyshire Limited was created to provide design services for capital projects that the Council delivers. At the same time Vertas Derbyshire Limited was created to provide caretaking and cleaning services to schools and the Council's other buildings. In November 2020, Vertas also took over responsibility for the Council's grounds maintenance service. The DCC Trading Committee has been established to ensure oversight of the JVs performance.

The Council has been collaborating with neighbouring local authorities and partners in health and the police, to ensure we are best placed for local delivery of the Government's levelling up strategy. This includes work to secure a County Deal across the Derby, Derbyshire, Nottingham and Nottinghamshire. A proposal will be submitted to Government in 2023, setting out the arrangements for the creation of the East Midlands Combined County Authority, once the enabling legislation receives royal assent. The Council's Monitoring Officer chairs the Governance Group, which is supported by external legal advisers. The Governance Group seeks to ensure the four councils receive legal advice and appropriate governance is in place to support decision making.

Following the release of CIPFA's revised Audit Committees: Practical Guidance for Local Authorities and Police in October 2022, the Council's Audit Committee have undertaken a self-assessment exercise in good practice and has formally evaluated its own impact and effectiveness. These results identified a number of opportunities for potential development, including enhanced training on the roles of the Committee, introduction of independent members and an additional annual report to Council detailing the work completed and the Committee's performance. All development opportunities have now been formally reported and will be explored by both officers and committee members throughout 2023-24.

The Annual Governance Statement for 2022-23 follows a similar format to those published in previous years, aligned with the CIPFA/Solace Delivering Good Governance in Local Government Framework.

The Effectiveness of the Council's Governance Arrangements

As part of this process, an assessment has been made of the Council's performance against each of the seven core principles using the following criteria:-

Category	Definition
Strong	The governance framework is effective and fit for purpose, although some minor weaknesses and improvements may have been identified.
Good	Whilst the governance arrangements are generally effective, there are gaps within the framework which need to be addressed. Should these issued remain unaddressed, there is an increased risk that the Council may be exposed to reputational risk.
Review	Significant weaknesses have been identified in the governance arrangements which expose the Council to reputational risk.
Action	The governance arrangements are considered to be deficient as weaknesses have been identified in a number of key areas rendering the overall framework ineffective and leaving the Council open to a high risk of error/abuse and significant reputational risk/damage.

Arising from this assessment of governance arrangements an Action Plan has been developed and is attached. Detailed actions and dates for completion will be determined to address each area for improvement which will be reported to the Audit Committee who will, in turn, monitor progress.

The Annual Governance Statement summarises the findings of the review of the Council's existing governance arrangements.

The review examined the Council's position against the CIPFA/SOLACE Framework Delivering Good Governance in Local Government which defines the seven core principles, each supported by sub-principles which underpin the governance framework of the Council.

What is working well and areas for improvement			
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**
Principle A Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law	**Review**	➢ The Constitution sets out the roles of Cabinet, full Council, Committees, Executive Directors and Statutory Officers, alongside details of their decision-making powers; ➢ Codes of Conduct for Members and employees set out clear behavioural responsibilities to ensure high standards of professionalism and integrity. The Code of Conduct for Employees has recently been reviewed and aligned with Officer of Declaration of Interests Policy; ➢ Training on the new Member Code of Conduct was delivered to Members between April and June 2022; ➢ A process for dealing with Members code of conduct complaints is embedded; ➢ There is an electronic process for officers to make declarations of gifts and hospitality, this data is then reported on a quarterly basis to departmental management teams; ➢ Quarterly reminders are sent to Members by the Monitoring Officer to keep their register of interests up to date and report offers of gifts and hospitality; ➢ The Authority operates an Equality and Diversity Policy 2022-25, Whistleblowing Policy and Complaints Procedures; the Council's Complaints procedures are scheduled for review in 2023-24 to test effectiveness. ➢ The Monitoring Officer is responsible for ensuring the lawfulness of decisions taken by Council, Cabinet, Committees and officers; ➢ Financial Management Arrangements conform to the Financial Management Code; ➢ The Governance, Ethics and Standards Committee monitors and reviews the operation of the Constitution and has recommended a number of amendments during the year that have been agreed by Council; ➢ Role profiles have been agreed for Members; ➢ Clear channels of communication are in place for all sections of the community and stakeholders, including	➢ Continued officer awareness of the gifts and hospitality process is required to ensure the electronic process is effectively embedded; ➢ The Whistleblowing Policy was updated 2021/22 but work is required to complete and promote a Whistleblowing Referral Form and continue to ensure that the policy is communicated widely, understood and embedded; ➢ Quarterly meetings between group leaders, Head of Paid Service and Monitoring Officer have commenced but need to be embedded in 2023-24; ➢ Employees and Members to be provided with formal ethical awareness training; ➢ The Anti-Fraud and Anti-Corruption Strategy, and Fraud Response Plan are currently under review with an anticipated implementation date of quarter two, 2023-24. Increased promotion is required to improve officer awareness. A training module for the Council's employees and maintained schools has been developed through Derbyshire Learning Online (DLO); ➢ The Anti-Money Laundering Policy is reviewed on an annual basis, but is not widely publicised; ➢ Recorded training session on the new Member Code of Conduct is to be made available via DLO for future reference; ➢ Wider training for all employees in respect of Financial Regulations and Standing Orders; ➢ Improved process for production of reports is required to ensure they are not presented to decision makers without being appropriately considered for legal and financial implications.

What is working well and areas for improvement			
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**
		digital and social media, internal communications, publications and campaigns; ➢ The Council's Corporate Governance Group is chaired by the Executive Director of Corporate Services & Transformation and attended by representatives from each Department, Audit Services and the Section 151 and Monitoring Officers, as well as deputies for the statutory roles; ➢ The Council reviews how it best protects its vulnerable residents and seeks to take on board learning from all relevant reviews whether they are Derbyshire focussed or not; ➢ An online learning introduction to equality, diversity and inclusion was introduced in March 2023 for all current employees to complete and this is now part of the induction programme for all new starters.	
Principle B Ensuring openness and comprehensive stakeholder engagement	**Good**	➢ The Assistant Director of Finance (Audit) produces an Annual Report which is considered by Audit Committee, highlights both significant areas of good practice and those where improvements can be made. This Report includes the annual internal audit opinion which concludes on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control; ➢ The Council engages with the citizens of Derbyshire and consults stakeholders as part of the decision-making process where appropriate. Revised reporting has assisted in consistently ensuring openness and consideration of stakeholder consultation. Citizens, trade unions and business ratepayers are all engaged when setting the budget. This consultation sits within the wider context of the annual Your Council, Your Voice Survey which measures resident satisfaction with Council services as well as identifying residents' priorities;	➢ Work is underway to review and further develop the Council's approach to resident voice. This includes plans to improve the Council's current approach and develop a new consultation, engagement and involvement strategy by March 2024. The new strategy will follow review of existing mechanisms, identify gaps and outline proposals for the future; ➢ The proposed redesign of the Partnership Protocol and Toolkit is now underway following an audit of Council partnership activity. The approach will commence with a review of existing partnerships which will provide the baseline for the wider redesign of tools and create a clearer picture of current arrangements, including a Statement of Business Ethics for communication to external suppliers and ethical values featured in contracts with external suppliers; ➢ Improve how the organisation interacts and delivers services with partners. This includes risks of particular partnerships on the County Council.

What is working well and areas for improvement			
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**
		➢ The Council has reinstated its Parish and Town Council Liaison Forum with six monthly meetings in place. These have been highly successful with increased attendance, greater involvement of Council Services and opportunities to undertake networking across the sector. ➢ The Council undertakes a wider range of partnership and stakeholder activity to support the development of key programmes of work which enhance services, improve systems and increase investment into the county, examples of this include the development of the Devolution Deal for the East Midlands which has resulted in the region securing £38 million of funding each year for 30 years; ➢ The Council has undertaken a wide range of stakeholder and resident engagement consulting on proposals for a new East Midlands County Combined Authority working alongside the three upper tier authorities of Nottinghamshire, Derby and Nottingham. This has included a programme of engagement with protected characteristics groups to support the development of Equality Impact Assessments (EIA) on outlined proposals; ➢ An annual Employee engagement cycle is in place with annual employee survives and feedback on outcomes and progress against the organisation action plan; ➢ Decision making protocols are in place which include the use of Equality Impact Assessments; ➢ A Communications Strategy is in place; ➢ The Council's "Enterprising Council" Strategy and approach seeks to ensure services meet needs of users, utilising the best delivery vehicle in each circumstance; ➢ The Council has an online Committee Management System (mod.gov) to improve access to councillors, decision making and democracy;	➢ A new streamlined process for Officer decisions to be published through Mod.gov. requires further development; ➢ The calendar of dates for drafting reports, seeking advice and publication is not always followed and needs further promotion; ➢ Improved engagement in the production and use of the Joint Strategic Needs Assessment.

What is working well and areas for improvement			
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**
		➢ The Forward Plan of forthcoming key decisions to be considered by Cabinet and Cabinet members is embedded, published online and reported to CMT and Cabinet; ➢ The template report contains a specific paragraph heading to ensure consultation feedback, including comments from Improvement and Scrutiny Committee where they have carried out pre-decision scrutiny, is clear and transparent.	
Principle C Defining outcomes in terms of sustainable economic, social and environmental benefits	**Good**	➢ The Council Plan 2022–2025 outlines the Authority's strategy and vision, defining key priorities, values and intended outcomes; ➢ The Council Plan outlines the Council's strategy and vision; ➢ Departmental and Service Plans are developed which are consistent with the overarching Council Plan and incorporate a range of performance measures; ➢ Progress against a range of targets is monitored. Performance against financial and performance targets is formally monitored on a quarterly basis within the Performance Monitoring and Budget Monitoring / Forecast Outturn Report; ➢ The Authority has in place an effective risk management framework which is consistent with the Corporate Risk Management Strategy 2021-25. A Strategic Risk Register is subject to regular review; ➢ Capital investment is structured and in line with the Investment Strategy; ➢ The Asset Management Strategy provides the vision and strategy for the alignment of assets with Council goals and objectives; ➢ Reporting templates prompt consideration of a longer-term view in the decision-making process, with more emphasis placed on measuring and monitoring outcomes as opposed to outputs. The templates also ensure that the decision maker is advised on the wider	➢ The use of detailed reporting templates has facilitated a consistent approach to the consideration of potential implications, however, further officer training and support is required to ensure all associated risks have been fully explored and reflected within decision making proposals. Introduction of the PMO will bring consistent business case management and monitoring of benefits realisation.

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What is working well and areas for improvement			
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**
		implications of the decision, including Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding; ➢ A social value approach has been developed to assist in ensuring that the economic, environmental and social benefits are embedded, realised and captured consistently for Derbyshire when procuring services. The newly developed Sustainable Procurement Policy was approved by Cabinet in June 2022; ➢ A Climate Change Strategy and Action Plan are in place with specific and measurable targets.	
Principle D Determining the interventions necessary to optimise the achievement of the intended outcomes	**Review**	➢ Financial and Procurement Strategies are in place; ➢ The Council has Improvement and Scrutiny Committees in place; ➢ The People Strategy has been approved and implemented to ensure a consistent, council-wide approach for future investment in its workforce; ➢ The Council updates its Five-Year Financial Plan as part of the annual budget setting process, alongside a review of its reserves position; ➢ The Council undertakes Equality Impact Assessments to support decision making. Work is underway to develop an electronic portal to ensure these are collated and opportunities for sharing best practice exploited; ➢ Briefings between officers and Cabinet members are embedded to ensure information needs to support decision making are met; ➢ The People Strategy has been deployed with departmental people plans in place, and HR deliverable plans focused on key workforce priorities for action.	➢ ICT strategies are under development including an up to date ICT strategy and digital strategy; ➢ Work to improve consistency and effectiveness of business cases is in progress as part of the development of the new Practical Project Management Approach. This will be completed by August 2023; ➢ A Portfolio Management Implementation Programme is being developed alongside the establishment of a new Corporate Portfolio Management Office to ensure projects and programmes are coordinated, consistent and deliver improved outcomes and value for money; ➢ The Council is working to develop a more proactive approach to the use of collective intelligence to guide decision making, rather than data. This is expected to be achieved through the development of cloud, SAP S4/HANA, other software, roles and use of intelligence by early 2024; ➢ Where departments have unachieved savings, alternative initiatives need to be developed in order to ensure the Council sets a balanced budget. ➢ Improvements to be made to align budget and Council plan development; ➢ The Executive/Scrutiny Protocol has been agreed in principle but requires formal approval;

What is working well and areas for improvement			
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**
			➢ Improvement needed in the oversight of joint venture companies to ensure the risks to the Council are managed and the Council's interests are protected.
Principle E Developing the entity's capacity, including the capability of its leadership and the individuals within it	**Review**	➢ Members and officers work together to deliver a common purpose with clearly defined functions and roles; ➢ The arrangements for Member training and development are reviewed through the Member Development Working Group; ➢ A Member Induction Programme was delivered following the last elections; ➢ Employee development is supported through the provision of generic and specific learning interventions, including initiatives on DLO and supporting the maintenance of professional standards and qualification training. Improved awareness and utilisation of key talent pipelines, including apprenticeships, have been deployed, alongside the successful development and deployment of an organisational graduate development scheme. ➢ The approach to engaging, informing and developing leaders has been deployed with the Shaping the Future forum regularly held and the leadership forum recently re-launched; ➢ The Inspiring Leaders development programme has now launched phase 1 to circa 1200 leaders, with plans progressing to develop phase 2. Mandatory development programme for all line managers and leaders at G12+, which aims to develop the leadership behaviours needed to lead change and inspire our people and teams to high performance. The programme takes 5 months to complete and will be delivered through a top-down approach over 3 years; ➢ The Council has approved a revised employee performance management policy and is implementing the Performance and Development Review (PDR)	➢ During 2022-23 a number of senior officers have left the Council, increasing the potential for instability and withdrawing valuable skills, knowledge and experience. Some of these posts have been filled on an interim basis; ➢ Work is required to fully embed the new PDR process and ensure all employees are provided with this opportunity. Development of a technological solution is needed to determine completion rates and support the wider roll out of the PDR process across the Organisation; ➢ The Core Induction and Leadership induction processes are currently under review with plans to refresh and reframe these to consider organisation, departmental and individual inductions. ➢ Recruitment and retention issues remains prevalent across the organisation, with work progressing to outline options available to the organisation aligned to total reward; ➢ Whilst departmental people plans are in place aligned to the People Strategy, the organisation would benefit from a strategic workforce plan to support future talent provision and workforce changes; ➢ Detailed officer guidance on executive decision making and non-executive decision making is in place and published on mod.gov, however it has not been widely promoted. Further work is required to ensure it is embedded; ➢ Member training and development programmes require improvement. A recent self-assessment exercise highlighted areas of weakness in relation to training, support and engagement. ➢ A 'governance' training programme for officers covering Local Government Governance Basics; Decision Making

What is working well and areas for improvement			
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**
		across leadership cohorts, replacing the former MyPlan approach. Talent reviews have been held to consider the performance and potential of all leaders undertaking roles at grade 14 and above; ➢ Employees are able to access training in new technology and IT systems to ensure effective use of systems; ➢ The Constitution contains a clear statement of the roles and responsibilities of the Leader and Head of Paid Service; ➢ The Member and Officer Relationships Protocol in the Constitution sets out the different roles of Members and Officers.	basics; Report writing/Producing Effective reports, The Constitution, Understanding the Code of Conduct for Members and Member/Officer Relations, Political awareness, Contracts and Procurement; Anti-Fraud and Corruption and Whistleblowing is being developed to improve knowledge. Financial management, oversight and appropriate challenge have also been identified as areas for potential improvement. ➢ The Scheme of delegation in the Constitution requires review.
Principle F Managing risks and performance through robust internal control and strong public financial management	**Review**	➢ The Audit Committee operates in accordance with prescribed terms of reference. The Committee receives, approves and monitors the Audit Plans for internal and external audit; ➢ The Audit Committee monitors the effectiveness of the Authority's risk management arrangements. Executive directors attend the Committee to discuss key risk within their department; ➢ The effectiveness of the governance framework including the system of internal control is reviewed annually; ➢ Audit Services review the effectiveness of the Authority's internal controls; ➢ The Strategic Risk Register is subject to regular review; ➢ Horizon scanning activity is undertaken to identify new and emerging risks; ➢ The Council has been proactive in its approach to the data protection, information governance and dealing with data breaches which are continually monitored by the officer Groups; ➢ Embedded Financial Regulations and Standing Orders, Procurement policies and practices which are subject to periodic review by officers and the Audit Committee;	➢ Cyber security threats require ongoing monitoring and development of appropriate responses. The need for a Cyber Security working group requires reviewed in light if the ICT Strategy, currently under development; ➢ The APEX performance system is currently being further developed to include integration of risk. This will support the use of the system to its full capacity; ➢ A new project management approach in under development, once embedded it will strengthen management of change and associated risks; ➢ There have been delays in revaluing property for insurance purposes; ➢ A Data Management Strategy has not yet been been introduced; ➢ The follow-up report to the Corporate Peer Review recommended "Reviewing the financial plan to recognise the new financial environment as the Council emerges from the pandemic". The financial plan will be reviewed as part of budget setting 2024-25; ➢ Develop the process for lessons learnt from internal incidents and external Public Interest Reports; ➢ The Council has a Risk Management Strategy in place, although further embedding and increased understanding of risk management at an operational

What is working well and areas for improvement			
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**
		➢ The Council has a Medium-Term Financial Plan and Budget Monitoring policies in place, endorsed by the LGA's Corporate Peer Review; ➢ The Improvement and Scrutiny Committees scrutinise decisions made, or actions taken in connection with the discharge of any of the Council's functions; ➢ The standards of behaviour and conduct are detailed in the Member and Officer Relationships Protocol and Code of Conduct; ➢ Quarterly corporate performance and financial management reports are produced and presented to Cabinet. This supplements performance management arrangements operating within individual Departments; ➢ The Audit Charter formalises procedures including the independence of Internal Audit and unrestricted access to all Members, officers and documentation as appropriate; ➢ The value for money opinions from the ISA260 highlights strong financial management; ➢ The Council has a designated Data Protection Officer, who provides an annual report to CMT.	level is required. Departmental risk registers are subject to review by management teams, however the frequency and quality of this review has been highlighted as an area requiring improvement in recent Audit reviews. Mitigation actions are not currently allocated to specific managers and do not have defined timescales for action; ➢ Post implementation reviews are not completed; ➢ A small number of departmental financial assurance packs have not been submitted in accordance with agreed timescales; ➢ The organisation needs to improve how it develops and delivers savings and efficiency proposals; ➢ Financial reporting needs to be improved to detail the cost of services linking to activities and the performance of services.
Principle G Implementing good practices in transparency, reporting and audit to deliver effective accountability	**Review**	➢ The Constitution defines how the Council operates and the decision-making processes to ensure the Council is efficient, transparent and accountable to local people; ➢ Audit Committee Members have completed a review of their own effectiveness; ➢ The Audit Plan determines how Audit resources will be focused, allowing formation of an annual internal opinion on the Council's framework of governance, risk management and control; ➢ The Council's Audit function is subject to an external quality assessment; ➢ Assurance mapping has identified opportunities to leverage assurance on the control environment from third parties and regulatory bodies, permitting Internal	➢ Continue to improve robust systems for property valuations building on the enhancements completed during recent years; ➢ An action plan is being developed to support and develop the Audit Committee's effectiveness; ➢ Continue to action the recommendations of LGA Corporate Peer Review follow-up; ➢ Continue to develop systems and protocols to support and monitor partnership working. The initial focus has been to review the Partnership Protocol and approach as overall context for the work plan and future actions, including the creation of a comprehensive picture of all current partnership arrangements; ➢ Improvements in officer training required for Financial Regulations, Schemes of Delegation and associated

What is working well and areas for improvement			
Core Principles of the Framework	**Overall Assessment**	**Strengths**	**Areas for Improvement**
		Audit resources to be targeted on areas which add most value; ➢ Council, Departmental and Service Plans set out objectives and include performance targets; ➢ Council, Cabinet and Committee meetings are open to the public, unless exempt or confidential information is being considered, and minutes are published on the website to aid transparency; ➢ Financial Statements are produced and published on a consistent and timely basis; ➢ Departmental Financial Schemes of Delegation supplement the Council's Financial Regulations and Standing Orders relating to Contracts; ➢ The Assistant Director of Finance (Audit) produces their Annual Report which is considered by Audit Committee and highlights both significant areas of good practice and those where improvements can be made; ➢ The Council routinely publishes data and meets requirements of Local Government Transparency Code; ➢ A Forward Plan of 'key decisions' is now embedded that looks to the future for a period longer than the statutory requirement; ➢ Resource has been made for an Internal Audit Service; and regular progress reports on audit findings are received by Audit Committee to provide assurance on the risk management, governance and internal control arrangements of the Council.	policies given the high number of new employees joining the Council without local government experience. E-learning module to be rolled out following ongoing update of policies; ➢ Embed the process to produce the AGS in a timely manner; ➢ Strengthen the understanding of the legal basis for treating reports as exempt or confidential and introduce processes to ensure as much information is provided openly and transparently; ➢ Understanding and compliance with terms and conditions associated with grant funding, failure to adhere may result in the partial or full recovery of funding.

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The Annual Governance Statement & Opinion

We have been advised on the implications of the results of the review of the effectiveness of the governance framework by the Audit Committee and it is our opinion that the Council's corporate governance framework is generally fit for purpose and can be considered to be adequate. However, it is recognised that there are areas which could be improved and the Council has a plan to address weaknesses and ensure continuous improvement of the system is in place.

We propose over the coming year to take steps to address those opportunities for improvement highlighted above so as to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements which were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Councillor Barry Lewis	**Emma Alexander**
Leader of the Council	**Managing Director**
Date	**Date**

On behalf of Derbyshire County Council

Action Plan - Areas for Improvement

Principle	Area for Improvement	Agreed Action	Responsible Officer	Completion Date	Position June 2023
Principle A **Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law**	Continued officer awareness of the gifts and hospitality process is required to ensure the electronic process is effectively embedded.	Ensure the process continues to be appropriately communicated across the organisation.	Director of Legal & Democratic Services	Ongoing	An online process for declaring gifts and hospitality has been introduced and embedded to improve consistency and recording. Quarterly reports should be submitted to departmental team meetings. Continued promotion is required to ensure officers are aware of the need to declare offers of gifts and hospitality.
	Work required to develop a Whistleblowing Referral Form and continue to ensure Whistleblowing Policy is communicated widely, understood and embedded.	Approve the referral form, publish on the website and ensure the policy is appropriately communicated across the organisation.	Director of Legal & Democratic Services	By end of December 2023	Referral form has been drafted and needs review and sign off.
	Quarterly meetings between group leaders, Head of Paid Service and Monitoring Officer have commenced but need to be embedded in 2023-24.	Ongoing	Director of Legal & Democratic Services	By end of 2023-24	Ongoing.
	Employees and Members to be provided with formal ethical awareness training.	To be scheduled, learning request to be completed.	Director of Organisation Resilience,	TBC	Not yet commenced.

Page 563			People and Communications		
	The Anti-Fraud and Anti-Corruption Strategy, and Fraud Response Plan were updated in 2022-23. However, increased promotion is required to improve officer awareness.	Work has commenced to review the Council's Counter Fraud Arrangements against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption and the Fighting Fraud and Corruption Locally Strategy.	Assistant Director of Finance (Audit)	Quarter two of 2023-24	All employees and Members now have access to the Fraud training via Derbyshire Learning Online. An Audit Committee Workshop was held on 31 January 2023 to provide additional guidance on the roles and responsibilities of the Audit Committee (including those relating to Counter fraud).
	The Anti-Money Laundering Policy is not widely publicised.	Ensure the policy is appropriately communicated across the organisation.	Director of Finance & ICT	By the end of September 2023	Ongoing
	Recorded training session on the new Member Code of Conduct to be made available via DLO.	Assistant Director of Legal Services to liaise with L&D.	Director of Legal & Democratic Services	TBC	Ongoing
	Wider training for all employees in respect of Financial Regulations and Standing Orders.	Develop a training programme to ensure all employees understand Financial Regulations and Standing Orders.	Director of Finance & ICT	By the end of October 2023	Ongoing
	Improve process for production of reports to ensure they are not presented to decision makers without being appropriately considered	No reports to be presented to decision makers via mod.gov without being appropriately considered for legal	Director of Legal & Democratic Services	March 2024	Ongoing

	for legal and financial implications.	and financial implications.			
Principle B **Ensuring openness and comprehensive stakeholder engagement**	Work is underway to review and further develop the Councils approach to resident voice. This includes plans to improve the Council's current approach and develop a new consultation, engagement and involvement strategy by March 2024.	The new strategy will follow review of existing mechanisms, identify gaps and outline proposals for the future.	Assistant Director of Strategy and Policy	March 2024	Ongoing
	Review of the Derbyshire Partnership Toolkit and development of systems and protocols to support and monitor partnership working. Improvement also required in how the organisation interacts and delivers services with partners. This includes risks of particular partnerships on the Council.	Redesign of the Partnership Protocol and Toolkit is now underway following an audit of Council partnership activity. The approach will commence with a review of existing partnerships which will provide the baseline for the wider redesign of tools and create a clearer picture of current arrangements, including a Statement of Business Ethics for communication to external suppliers and ethical values	Interim Director of Transformation and Strategy	TBC	Ongoing

	A new streamlined process for Officer decisions to be published through Mod.gov. requires further development.	Develop and implement process.	Director of Legal & Democratic Services	By March 2024	Not yet commenced
	The calendar of dates for drafting reports, seeking advice and publication is not always followed and needs further promotion.	Ensure the calendar of dates is appropriately communicated across the organisation.	Director of Legal & Democratic Services	Ongoing	Calendar of dates is already embedded in the CMT and CST DMT agenda. Further promotion is required.
	Improved engagement in the production and use of the Joint Strategic Needs Assessment (JSNA).	The JSNA is subject to a transformation plan and a new Power BI version has been built. A temporary workaround is in place until issues with publishing Power BI can be resolved. A JSNA report is currently being shared across the system and work is ongoing to engage system partners.	Director of Public Health	March 2024	Ongoing

Principle C **Defining outcomes in terms of sustainable economic, social and environmental benefits**	Further officer training and support is required in relation to the use of detailed reporting templates to ensure all associated risks have been fully explored and reflected within decision making proposals. Introduction of the PMO will bring consistent business case management and monitoring of benefits realisation.	Deliver officer training and support to ensure appropriate detail is included in reports and decisions.	Director of Finance & ICT	October 2023	
Principle D **Determining the interventions necessary to optimise the achievement of the intended outcomes**	ICT strategies are under development including an up-to-date ICT Strategy and Digital Strategy.	ICT Strategy and Digital Strategy under development.	Director of Finance & ICT	Autumn 2023	Strategies are currently being developed.
	Development of consistent and effective business cases.	Work underway as part of the establishment of the Council's new Programme and Project Management Office.	Director of Finance & ICT	Autumn 2023	A suite of templates has been developed by the PMO and training for business partners will be scheduled to ensure a consistent approach across the organisation. A benefits realisation approach has also been developed and will support effective business case implementation.

	A Portfolio Management Implementation Programme is being developed alongside the establishment of a new Corporate Portfolio Management Office to ensure projects and programmes are coordinated, consistent and deliver improved outcomes and value for money.	Strategic planning, PMO establishment and business case refinement exercises.	Interim Director of Transformation and Strategy	Autumn 2023	Underway.
	The Council could develop a more proactive approach to the use of collective intelligence to guide decision making, rather than data.	This is expected to be achieved through the development of cloud, SAP S4/HANA, other software, roles and use of intelligence.	Director of Finance & ICT	Implementation now scheduled for early 2024.	Implementation underway.
	Improvements to be made to align budget and Council plan development.	Council plan and budget setting process are being aligned as part of budget 2024-25	Director of Finance & ICT	Winter 2023	Underway
	The Executive/Scrutiny Protocol has been agreed in principle but requires formal approval.		Director of Legal & Democratic Services	December 2023	
	Improve the oversight of joint venture companies to ensure the risks to the Council are managed and	Complete a review of the Council's governance arrangements of Joint Ventures.	Director of Finance & ICT	December 2023	Commence summer 2023

	the Council's interests are protected.				
Principle E **Developing the entity's capacity, including the capability of its leadership and the individuals within it**	During 2022-23 a number of senior officers have left the Council, increasing the potential for instability and withdrawing valuable skills, knowledge and experience. Some of these posts have been filled on an interim basis.		Director of Organisation Resilience, People and Communications	TBC	
	Recruitment and retention issues remains prevalent across the organisation, with work progressing to outline options available to the organisation aligned to total reward.	Ongoing	Director of Organisation Resilience, People and Communications	End of December 2023	Ongoing
	Work is required to fully embed the new PDR process and ensure all employees are provided with this opportunity. Development of a technological solution is needed to support the wider roll out of the PDR process across the Organisation.	Develop technological solution to support wider roll out of PDR process.	Director of Organisation Resilience, People and Communications	TBC	
	The Core Induction and Leadership induction processes are currently under review with plans to refresh and reframe these	Ongoing	Director of Organisation Resilience, People and Communications	March 2024	Ongoing

	to consider organisation, departmental and individual inductions.				
	Whilst departmental people plans are in place aligned to the People Strategy, the organisation would benefit from a strategic workforce plan to support future talent provision and workforce changes.	Ongoing	Director of Organisation Resilience, People and Communications	End of March 2024	Ongoing
Page 569	Detailed officer guidance on executive decision making and non-executive decision making is in place and published on mod.gov, however it has not been widely promoted. Further work is required to ensure it is embedded.	Ensure the guidance is appropriately communicated across the organisation.	Director of Legal & Democratic Services	December 2023	
	Member training and development programmes require improvement. A recent self-assessment exercise highlighted areas of weakness in relation to training, support and engagement.		Director of Organisation Resilience, People and Communications	TBC	
	The Scheme of delegation in the Constitution requires review.	The wider review of the officer scheme of delegation is a larger project.	Director of Legal & Democratic Services	March 2024	Ongoing

Principle F **Managing risks and performance through robust internal control and strong public financial management**	Cyber security threats will require ongoing monitoring and development of appropriate responses. The need for a Cyber Security working group requires review in light if the ICT Strategy, currently under development.	Cyber Security Group established. Monitoring and active response to threats.	Director of Finance & ICT	Ongoing	The council are currently developing a new ICT Strategy which will incorporate a refresh of the cybersecurity strategy which will underpin how the council prepares and deals with cybersecurity threats.
	The APEX performance system is currently being further developed to include integration of risk. This will support the use of the system to its full capacity.	Significant work over the last twelve months to integrate performance and financial reporting through APEX. These actions have been completed. Further integration of risk is now underway.	Interim Director of Transformation and Strategy	September 2023	Integration of risk continues to be developed within Apex. Reporting on Risk using the new system is planned to start in quarter 2 of 2023-24.
	A new project management approach is under development, once embedded it will strengthen management of change and associated risks.	Project management approach under development.	Interim Director of Transformation and Strategy	Autumn 2024	Ongoing.
	A Data Management Strategy has not yet been been introduced.	Data management working group established and will work to producing strategy	Director of Finance & ICT	TBC	Underway
	The follow-up report to the Corporate Peer Review	The financial plan will be reviewed as part	Director of Finance & ICT	Winter 2023	Ongoing

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	recommended “Reviewing the financial plan to recognise the new financial environment as the Council emerges from the pandemic“.	of budget setting 2024-25.			
	Develop the process for lessons learnt from internal incidents and external Public Interest Reports	Create “library” of known incidents and share recommended best practice.	Director of Finance & ICT	Underway	A Governance Group workshop has been arranged for May 2023 which will focus on PIRs. Subsequently a report will be taken to CMT highlighting current Governance arrangements across the Council.
	Further embedding of Risk Management Strategy required, alongside further embedding and increased understanding of risk management at an operational level. Frequency and quality of review of departmental risk registers has been highlighted as an area requiring improvement. Mitigation actions are not currently allocated to specific managers and do not have defined timescales for action.	Risk Management Policy and Strategy to be updated during 2023-24. A self-assessment using the CIPFA/ALARM risk maturity framework resulted in performance aims for achievement by December 2024.	Director of Finance & ICT	December 2024	Ongoing
	Development of a robust post implementation review process for major	Work underway as part of the establishment of the	Reassigned to Director of Organisation,	Ongoing	The new Project and Programme management approach rolled out during

	projects. CMT approved the approach to review existing change projects and programmes and embed robust project management across the Council.	Council's new Programme and Project Management Office.	Development & Policy		2022. Business Change Business Partners providing support to Directorates and project and programme managers.
	Departmental financial assurance packs to be submitted in accordance with agreed timescales.	Packs to be reviewed and completed by services.	Director of Finance & ICT	September 2023	Underway
	Improve how the organisation develops and delivers budget savings proposals and efficiencies	Review process and implement revised arrangements to improve decision making.	Director of Finance & ICT	Improvements to be made as part of budget development 2024-25	Underway
	Improve financial reporting, linking to service activity and performance	Improve financial processes and link to PMO.	Director of Finance & ICT	December 2023	Commence summer 2023
Principle G **Implementing good practices in transparency, reporting and audit to deliver effective accountability**	Continue to improve robust systems for property valuations building on the enhancements completed during recent years.	Regular liaison with Finance and audit colleagues, early agreement of revaluation schedules on an annual basis. Clear timetable for delivery of valuations.	Director of Corporate Property	Ongoing – annual process	There continue to be ongoing issues with obtaining property valuations for the Statement of Accounts. Work needs to continue to improve in this area.
	An action plan is being developed to support and develop the Audit Committee's effectiveness.	Action plan to be devised and delivered throughout 2023-24	Director of Finance & ICT	End of 2023-24	Ongoing
	Embed the process to produce the AGS in a timely manner.	Revised timetable, including progress reviews has recently	Director of Finance & ICT	Completion of 2023-24 AGS by June 2024.	Ongoing

		been approved by the Governance Group.			
	Strengthen the understanding of the legal basis for treating reports as exempt or confidential and introduce processes to ensure as much information is provided openly and transparently.		Director of Legal & Democratic Services	TBC	
	Understanding and compliance with terms and conditions associated with grant funding, failure to adhere may result in the partial or full recovery of funding.	Work ongoing to improve central grants register and associated procedures. Awareness of grant funding requirements to be promoted.	Director of Finance & ICT	TBC	Ongoing
	Continue to action the recommendations of LGA Corporate Peer Review follow-up.	Key actions identified to support recommendations were included in the refresh of the Council Plan	Director of Transformation and Strategy	Ongoing	An update on progress has been prepared and will be reported to Cabinet in July 2023 as part of the annual review progress.

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

18 July 2023

Report of the Audit Managers

Audit Services Annual Report 2022-23

1. Purpose

1.1 To inform Members of the Annual Report for 2022-23 and the Head of Internal Audit opinion on the adequacy of the Council's arrangements for governance, risk management and control.

2. Information and Analysis

2.1 The Annual Report provides a summary of the work undertaken by Audit Services during 2022-23 and the results of that work including details of audits undertaken, outcomes from assurance work and senior management actions.

2.2 The Annual Report has been prepared in accordance with the Public Sector Internal Audit Standards (PSIAS) to provide:

- An opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- Detail of the Audit Plan delivered throughout the year and overall outcomes to support the Audit Opinion.
- An opinion that can be used by the Council to inform its Annual Governance Statement (AGS).
- A statement on conformance with the PSIAS and the results of the Quality Assurance and Improvement Programme (QAIP).

2.3 Audit Committee has received progress reports throughout 2022-23 to provide updates on delivery and staffing matters. This included notification of the resignation of the Assistant Director of Finance - Audit who left the Council on 24 February 2023.

2.4 Reasonable coverage of the approved 2022-23 Audit Plan has been provided across a number of the key risk areas, although work in Corporate activities and the Children's Services and Place departments were reduced. This was as a result of a number of factors including availability of staff within the respective departments, local acute service pressures and changes in senior staff involved in the initial audit scoping of the reviews.

2.5 A number of complex audit investigations were conducted during the year, which have either been reported or in some cases continue to be investigated. In the case of the matters that remain under investigation, these could potentially have an impact on the control framework. Assurance levels across the Council's ICT service continues to be limited due to the availability of staff within the service to support the reviews. It has been agreed with senior management that reviews will commence, once the issues in respect of service priorities are seeing sustained progress.

2.6 A small number of school and establishment visits were undertaken in 2022-23. Caveats have been added to the overall opinion, to recognise the impact of audits not delivered. The outcome of the Audit Performance for 2022-23 is shown below, with 95% of planned days delivered (which includes time to complete 2021-22 audit reviews at the start of the year). Audit Services has undertaken work to certify 15 grants received by the Council with a value of almost £44m.

Head of Audit - Audit Opinion

2.7 We are satisfied that no conflicts of interest have occurred which would have any bearing on Audit Services independence or objectivity. In addition, our organisational independence and objectivity has not been impaired in any way whilst undertaking the 2022-23 Audit Plan.

2.8 The audit work undertaken during the year has enabled Internal Audit to provide an independent assessment of whether systems and controls are operating effectively. In giving an audit opinion it should be noted that assurance can never be absolute. Completion of the Audit Plan has been affected by several factors this year including audit staff vacancies (departure of the Assistant Director of Finance (Audit) on 24 February

2023), a number of complex audit investigations, changes in senior officers across the Council and the ability to progress certain reviews in a timely manner. The basis of our opinion has been drawn from:

- ongoing support and review of the Council's governance arrangements including the AGS.
- individual opinions in Audit Services reports arising from risk-based assignments within the Audit Plan.
- the implementation of recommendations in respect of previous years' internal audit work.
- assessment of risk management arrangements and assurance frameworks.
- management responses to findings and recommendations.
- the proportion of the Council's audit plan covered within the period.

2.9 The results of the work undertaken by Internal Audit during the year, together with other sources of assurance, in the majority of instances support a **satisfactory annual opinion** on the Council's framework of governance, risk management and control. However, as some aspects of the Audit Plan could not be undertaken, management failings identified during audit investigations and the reduced audit coverage across elements of ICT systems, some caveats are placed on the overall opinion.

2.10 To avoid similar limitations in 2023-24 and beyond:

- Failings and weaknesses within the control framework will be reported to the Managing Director and other senior officers to ensure that management controls and governance arrangements are strengthened. Additional resources have been allocated within the 2023-24 Audit Plan to monitor progress and, where appropriate, assess whether improvements are embedded across all departments.
- The new Assistant Director of Finance (Audit) will work with senior management during this period of turbulence in the ICT service, to obtain satisfactory assurances from the service in 2023-24, with audit staff involved in the project groups that support the reconfiguration of the wider governance strategy. The Executive Director of Corporate Services and Transformation is the lead officer tasked with driving through the operational changes required to address the challenges faced by the Council's ICT team including the absence of a data management strategy, staff

recruitment and retention and the delivery of business-as-usual services.
- Matters relating to reviews that have not progressed, are scheduled for further discussion with Executive Directors during the 2023-24 audit year, to obtain a clear commitment to enable resources to be allocated.

It is understood that improvements have been made within these areas since the end of 2022-23.

2.11 As of this date, we are satisfied that there were no matters identified in the work by Audit Services which would cause the External Auditor to consider any qualification of the Council's Statement of Accounts.

3. **Consultation**

3.1. No consultation is required.

4. Alternative Options Considered.

4.1 The Council has a duty under the PSIAS to provide an annual Internal Audit Report and Opinion on its governance arrangements. Therefore, no alternative options have been considered.

5. Implications

5.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

6. Background Papers

6.1 Electronic files and Audit working papers held by Audit Services, Finance & ICT Service.

7. Appendices

7.1 Appendix 1 – Implications.

7.2 Appendix 2 – Audit Services Annual Report 2022-23

8. Recommendations

That the Audit Committee:

a) consider the Annual Audit Report for 2022-23 and overall assurance opinion,
b) consider the outcomes of the Audit work completed, and
c) note the performance of the Audit Services Unit during this period.

9. Reasons for Recommendations

9.1 The report is provided so that Audit Committee can obtain necessary assurances on the overall arrangements of governance, risk management and control systems.

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CONTROLLED

Appendix 1

Implications

Financial

1.1 None

Legal

2.1 The Council has a duty to maintain an adequate and effective system of internal audit of its accounting records and system of internal control, together with a duty to prepare an Annual Governance Statement.

2.2 Audit Services discharges the Council's statutory responsibilities under Regulation 5 of the Accounts & Audit Regulations 2015 and fulfils significant aspects of the Director of Finance & ICT's statutory duties under Section 151 of the Local Government Act 1972.

2.3 The Annual Report is also a requirement of the Public Sector Internal Audit Standards (PSIAS).

Human Resources

3.1 None

Information Technology

4.1 None

Equalities Impact

5.1 None

Corporate objectives and priorities for change

6.1 The Council is committed to ensuring good governance and compliance with applicable laws and regulations.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 None

Audit Services Annual Report 2022-23

DERBYSHIRE County Council

Daniel Ashcroft & Philip Spencer
Audit Managers

Background to the Annual Report

The Annual Report provides a summary of the work undertaken by Audit Services during 2022-23 and the results of that work including details of audits undertaken, outcomes from assurance work and senior management actions.

The Annual Report has been prepared in accordance with the Public Sector Internal Audit Standards (PSIAS) to provide:

- An opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.
- Detail of the Audit Plan delivered throughout the year and overall outcomes to support the Audit Opinion.
- An opinion that can be used by the Council to inform its Annual Governance Statement (AGS).
- A statement on conformance with the PSIAS and the results of the Quality Assurance and Improvement Programme (QAIP).

Work undertaken by Audit Services is conducted in accordance with the standards required by the PSIAS. The Head of Internal Audit's Annual Opinion records significant levels of conformity with the International Standards for the Professional Practice of Internal Auditing. The work of the Unit complies with the Council's Audit Charter, Internal Audit Strategy and Quality Assurance and Improvement Programme which are subject to regular review.

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Regulatory Framework and Scope of Audit Operation

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.

The Council has a duty to maintain an adequate and effective system of internal audit of its accounting records and system of internal control, together with a duty to prepare an Annual Governance Statement (AGS). The Audit Opinion on the Council's control environment contained within this report is included within the AGS, to provide independent assurance to the Council's stakeholders. There are two key pieces of relevant legislation:

- Regulation 5 of the Accounts & Audit Regulations 2015.
- Section 151 of the Local Government Act 1972, in relation to significant aspects of the Director of Finance & ICT's statutory duties.

To support Audit Services, the Council has an approved Audit Charter and Audit Strategy. The Unit's role and responsibilities are also documented in the Council's policies and procedures including Financial Regulations and Anti-Fraud and Anti-Corruption Strategy.

The independence of Audit Services is achieved by maintaining reporting lines which allow for direct and unrestricted access to the Council Leader, Audit Committee, Head of Paid Service, other Executive Directors, Section 151 Officer, Monitoring Officer, Directors and Members.

Head of Internal Audit - Audit Opinion

We are satisfied that no conflicts of interest have occurred which would have any bearing on Audit Services independence or objectivity. In addition, our organisational independence and objectivity has not been impaired in any way whilst undertaking the 2022-23 Audit Plan.

The audit work undertaken during the year has enabled Internal Audit to provide an independent assessment of whether systems and controls are operating effectively. In giving an audit opinion it should be noted that assurance can never be absolute. Completion of the Audit Plan has been affected by several factors this year including audit staff vacancies (departure of the Assistant Director of Finance (Audit) on 24 February 2023), a number of complex audit investigations, changes in senior officers across the Council and the ability to progress certain reviews in a timely manner. The basis of our opinion has been drawn from:

- ongoing support and review of the Council's governance arrangements including the AGS.
- individual opinions in Audit Services reports arising from risk-based assignments within the Audit Plan.
- the implementation of recommendations in respect of previous years' internal audit work.
- assessment of risk management arrangements and assurance frameworks.
- management responses to findings and recommendations.
- the proportion of the Council's audit plan covered within the period.

Level of Assurance	Explanation and significance
Substantial Assurance	Whilst there is a sound system of governance, risk management and control minor weaknesses have been identified which include non-compliance with some control processes. No significant risks to the achievement of system/audit area objectives have been detected.
Satisfactory Assurance	Whilst there is basically a sound system of governance, risk management and control some high priority recommendations have been made to address potentially significant or serious weaknesses and/or evidence of a level of non-compliance with some controls or scope for improvement identified, which may put achievement of system/audit area objectives at risk. Should these weaknesses remain unaddressed they may expose the Council to reputational risk or significant control failure.
Limited Assurance	Significant weaknesses and/or non-compliance have been identified in key areas of the governance, risk management and control system which expose the system/audit area objectives to a high risk of failure, the Council to significant reputational risk and require improvement.
No Assurance	Control has been judged to be inadequate as systems weaknesses, gaps and non-compliance have been identified in numerous key areas. This renders the overall system of governance, risk management and control inadequate to effectively achieve the system/audit area objectives which are open to a significant risk of error, loss, misappropriation or abuse. Immediate remedial action is required.

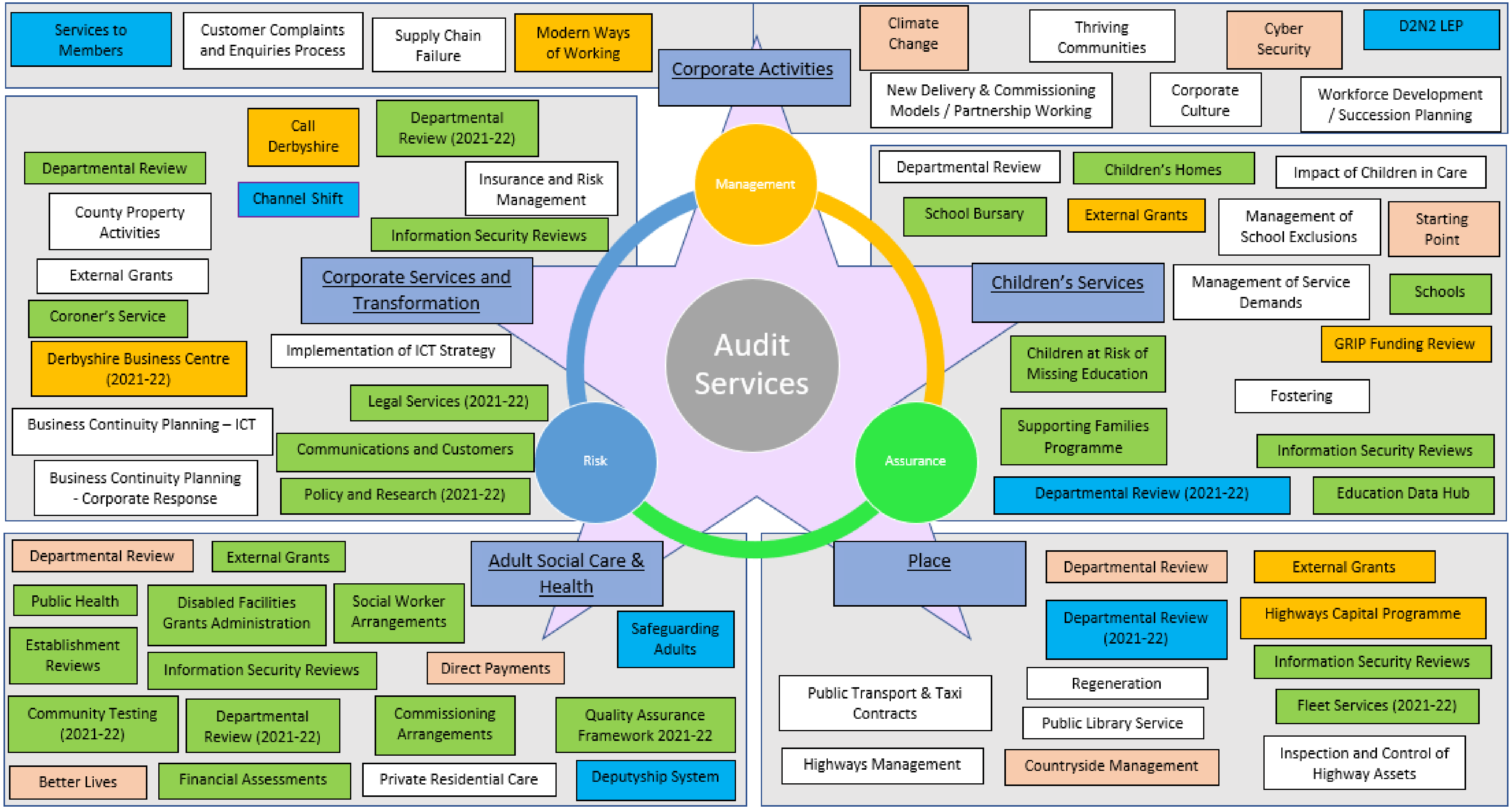
The results of the work undertaken by Internal Audit during the year, together with other sources of assurance, in the majority of instances support a **satisfactory annual opinion** on the Council's framework of governance, risk management and control. However, as some aspects of the Audit Plan could not be undertaken, management failings identified during audit investigations and the reduced audit coverage across elements of ICT systems, some caveats are placed on the overall opinion.

To avoid similar limitations in 2023-24 and beyond:

- Failings and weaknesses within the control framework will be reported to the Managing Director and other senior officers to ensure that management controls and governance arrangements are strengthened. Additional resources have been allocated within the 2023-24 Audit Plan to monitor progress and, where appropriate, assess whether improvements are embedded across all departments.
- The new Assistant Director of Finance (Audit) will work with senior management during this period of turbulence in the ICT service, to obtain satisfactory assurances from the service in 2023-24, with audit staff involved in the project groups that support the reconfiguration of the wider governance strategy. The Executive Director of Corporate Services and Transformation is the lead officer tasked with driving through the operational changes required to address the challenges faced by the Council's ICT team including the absence of a data management strategy, staff recruitment and retention and the delivery of business-as-usual services.
- Matters relating to reviews that have not progressed, are scheduled for further discussion with Executive Directors during the 2023-24 audit year, to obtain a clear commitment to enable resources to be allocated.

It is understood that improvements have been made within these areas since the end of 2022-23.

Summary of Audit Opinions



Key Financial Systems	HR Management (2021-22)	Accounts Payable	Accounts Receivable	Corporate Procurement	LGPS Central Audit	Treasury Management	Pensions and Funds Management (2021-22)	Accountancy, Budgetary Control and Financial Resilience
IT & IS Reviews	Network Infrastructure Review		Server Infrastructure Review			BACS Payment System Review (2021-22)		Corporate Database Review
Audit Opinions	**Substantial**		**Satisfactory**		**Limited**	**No**		**Review in Progress**

Available Audit Resources

<u>Staffing</u>

Members of the Audit Committee were provided with regular staff updates as part of the progress reports presented during 2022-23. In this period, the Assistant Director of Finance (Audit), two senior auditors and an auditor left the Authority to take up a variety of different roles mainly in the public sector. As a result of the Council's ongoing budget pressures and departmental savings targets, the Unit's overall staffing structure was reduced by two full-time equivalent posts (senior and auditor post). To accommodate the reductions within the Unit's resources that were approved towards the end of 2022-23, additional emphasis is to be placed upon the use of 'themed' reviews across areas including schools and establishments, together with developing further the Audit Assurance Mapping created during 2022-23.

During the period of the previous Assistant Director of Finance (Audit)'s leadership, the Unit had implemented a number of operational improvements. These focused on the introduction of a new Audit Report template that incorporated a shorter 'risk focused' executive summary and key findings, together with the initial transition from the Unit's current case management software to a new solution (due to be installed in Q2 of 2023-24). To support the work of Audit Committee, training updates were provided throughout the year including a Chartered Institute of Public Finance and Accountancy (CIPFA) session on the role and skills of the Audit Committee. Whilst several other development areas have been temporarily halted awaiting the arrival on 31 July 2023 of the new Assistant Director of Finance (Audit), Mark Lunn, further service improvements will be delivered in 2023-24.

In line with the Council's inspiring leaders programme and updated Performance Development Review (PDR) framework, the Unit continues to support staff to progress with identified future career aspirations. As part of this process, all Principal Auditors are being assigned responsibility to review/deliver specific areas of Audit strategy across the team and report the outcomes to Audit Committee. Further, investments are likely to made in the apprenticeship scheme to provide resilience within the Audit team. The appointment of the Unit's first Audit Apprentice to the position of Auditor, is testament to the significant value of the Council's apprenticeship scheme, which has allowed the Unit to develop its own internal staff with the support of the Chartered Institute of Internal Auditors.

Assurance Mapping

The PSIAS require External Quality Assurance (EQA) assessments of Audit Services every five years. The last assessment was conducted by Chartered Institute of Public Finance and Accountancy (CIPFA) in 2019, and the EQA outcome report noted that the assessment team's view was that:

"… the formulation and delivery of the Plan would benefit from a formal and coordinated 'assurance mapping exercise' that would, initially, provide clarity on what opportunities exist to take assurance on the control environment from third parties."

Whilst the benefits of an assurance map were recognised by Audit Services, the impact of the pandemic meant that work to develop and compile an assurance map was delayed until 2022-23. Work to capture key activities and sources of assurance across the Council was completed within the year. As this is a critical piece of work for the Council, the outcomes informed the creation of the 2023-24 annual audit plan.

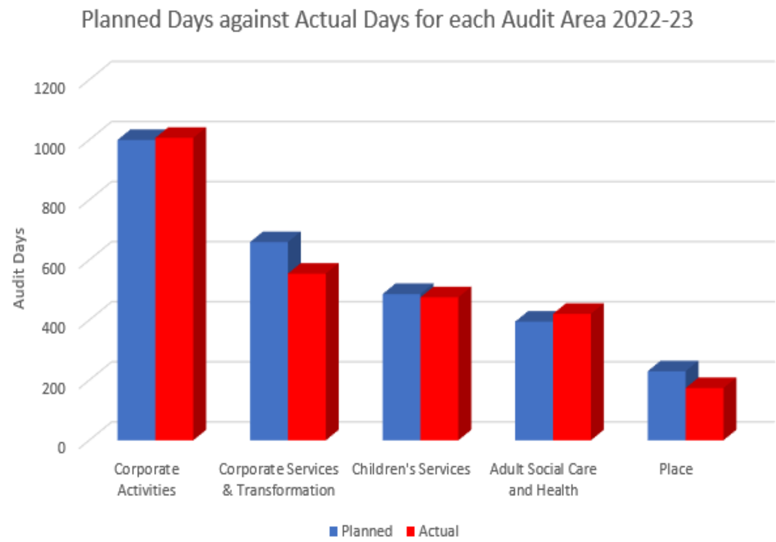
Counter Fraud Arrangements

Work was undertaken throughout the year to assess the Council's fraud stance and level of staff awareness to inform the review and update the Council's Fraud Response Plan and Anti-Fraud and Anti-Corruption Strategy. The Report considered by the Audit Committee at its meeting on 20 September 2022, provided an update on the progress made with the self-assessment against the Fighting Fraud and Corruption Locally checklist. Whilst the new Strategy was not approved during the year, this is currently in the process of being considered by the Governance Group, with significant progress made by the Unit to reinvigorate the Council's counter fraud work.

Audit Services Outcomes

Reasonable coverage of the approved 2022-23 Audit Plan has been provided across a number of the key risk areas, although work in Corporate activities and the Children's Services and Place departments were reduced. This was as a result of a number of factors including availability of staff within the respective departments, local acute service pressures and changes in senior staff involved in the initial audit scoping of the reviews.

A number of complex audit investigations were conducted during the year, which have either been reported or in some cases continue to be investigated. In the case of the matters that remain under investigation, these could potentially have an impact on the control framework. Assurance levels across the Council's ICT service continues to be limited due to the availability of staff within the service to support the reviews. It has been agreed with senior management that reviews will commence, once the issues in respect of service priorities are seeing sustained progress.



A small number of school and establishment visits were undertaken in 2022-23. Caveats have been added to the overall opinion, to recognise the impact of audits not delivered. The outcome of the Audit Performance for 2022-23 is shown below, with 95% of planned days delivered (which includes time to complete 2021-22 audit reviews at the start of the year). Audit Services has undertaken work to certify 15 grants received by the Council with a value of almost £44m.

2022-23 Outcome	Days
Approved Audit Plan	2,772
Actual Productive Days	2,633
Shortfall in Productive Days Delivered	139

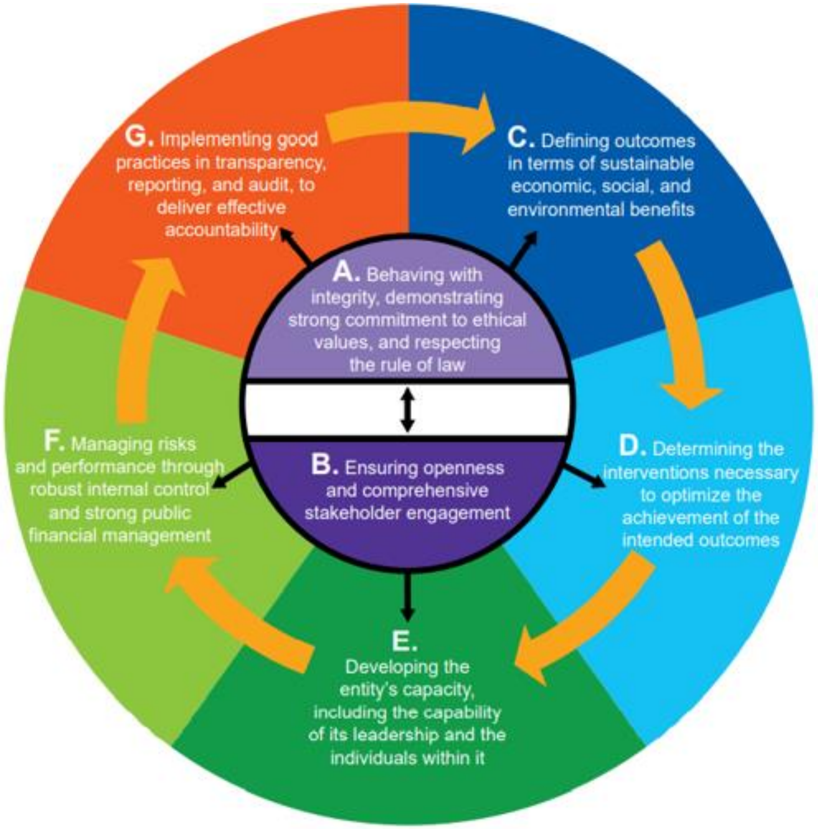
Analysis of Audit work including a summary of Reports issued throughout the year, is provided at **Appendix 1,** with more detailed comments on individual reviews within the main body of this Report. We would like to take this opportunity to express our thanks and appreciation to all those who provided support and assistance during the course of this year's Audits.

Governance Arrangements

Corporate governance includes the systems, processes and values by which councils operate and are held accountable to their communities and stakeholders. The importance of effective corporate governance is fundamental to underpinning credibility and confidence in public services. The Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including the management of risk. The Council has a corporate governance framework in place that aligns with best practice and complies with the CIPFA/SOLACE (The Society of Local Authority Chief Executives) Framework Delivering Good Governance in Local Government. Audit Services staff contribute and help define the Council's Corporate Governance Framework and procedures.

The Council has procedures in place to monitor and review its corporate governance arrangements by:

- Holding regular meetings of the Governance Group.
- Reviewing the Council's governance arrangements against the CIPFA/SOLACE Delivering Good Governance in Local Government Framework.
- Assessing the effectiveness of its governance arrangements against the Local Code of Corporate Governance.
- The completion of Executive Director Assurance Matrices.
- Considering the impact of External Assessments and lessons learnt from Public Interest Reports.
- Preparing the AGS.
- Monitoring the progress against the recommendations in the AGS Action Plan.



Source: International Framework: Good Governance in the Public Sector (CIPFA)

In 2022-23, steps have been taken to raise the profile and activities undertaken by the Governance Group with the Executive Director for Corporate Services and Transformation taking over as Chairperson. Whilst this is seen as a positive step, there are opportunities for improved understanding of, and engagement with, the corporate governance framework across all departments.

The Council's systems of governance and internal control are based upon a framework which embraces regular management information, approved policies and procedures (including the Constitution, Financial Regulations and Standing Orders relating to Contracts), administrative procedures (including segregation of duties), management supervision and a structure of delegation and accountability.

Detailed Analysis - Corporate Activities

Departmental Performance	2021-22	2022-23	Departmental Opinions	2021-22	2022-23
Days within the Approved Audit Plan	980	1,000	Substantial	1	2
Actual days delivered	660	1,007	Satisfactory	3	-
Percentage of Audit Days Delivered	67.3%	100%	Limited	-	1
Number of Reports Issued	8	15	No	-	-
			Other (including letters)	4	12

Substantial Assurance Report

✓ D2N2 Local Enterprise Partnership (LEP)

This Audit was undertaken in accordance with the service level agreement between the D2N2 LEP and Derbyshire County Council (Accountable Body), and examined the governance arrangements. The review reported an appropriate level of assurance on the adequacy and effectiveness of the control environment to support and monitor the funding and reporting arrangements.

The future of the D2N2 LEP will be impacted by the proposed £1.14 billion devolution deal covering the Derbyshire, Nottinghamshire, Derby and Nottingham authorities announced in August 2022. Plans for integration of the LEP with the new Combined Authority are still to be finalised.

Limited Assurance Report

Modern Ways of Working (MWoW)

Audit Services continued to support the work of phase two of the project and review information governance. During the year, Audit staff together with colleagues from legal services, undertook a site visit to the Council's off-site confidential waste management disposal premises. During the visit, compliance issues were noted in respect of the management of the Council's sensitive paper records with the matter referred to the Information Commissioner's Office (ICO).

Audit Investigations

Throughout the year, the Unit continued to investigate fraud related matters referred to the Unit from within the Council and via the Whistleblowing Policy. In this period eleven investigations have either been reported upon or remain ongoing at the year end, two of which involved the deployment of significant resources due to the nature and complexity of the allegations raised. As in previous years, where fraudulent and inappropriate activities have been identified, the majority of these occur as a result of the failure by line managers to consistently apply the Council's staffing and financial procedures. In such instances, a Controls Report was produced and provided to management detailing the identified instances of non-compliance.

On 22 March 2022, the Audit Committee was provided with the outcome of a self-assessment against the 'Fighting Fraud and Corruption Locally' (FFCL) checklist, which assessed the effectiveness of the Council's current arrangements to counter fraud. Whilst confirming the majority of the Unit's arrangements aligned to best practice, there were gaps in the current provision with improvements required. Action has been taken to address these issues, which will remain ongoing through 2023-24.

Other Assurance Reviews

Cyber Security Incident

Following a cyber incident, audit staff worked with ICT colleagues regarding the enhanced control framework being implemented to reduce the opportunity for future system compromise.   However, there remains significant work to be undertaken to ensure that the Council has a clear strategy to deal with future incidents of this nature and a corporate lessons learnt project has yet to be completed. A Cyber Security Working Group has not been formed, despite being agreed within the AGS. This has recently been escalated with the newly appointed Director of Finance & ICT to ensure action is taken.

Support and Consultancy Work

In addition to our programme of Audits, the Unit assists management with the provision of ongoing support, advice, and grant certifications. Groups attended during 2022-23 include the Governance Group and Asset Optimisation, with assurance work provided to support the Council's allocation of over £5m in respect of the Household Support Fund. Audit Services also reviewed the process for making emergency payments under the Ukrainian Family scheme.

Detailed Analysis - Corporate Services and Transformation

Departmental Performance	2021-22	2022-23	Departmental Opinions	2021-22	2022-23
Days within the Approved Audit Plan	785	660	Substantial	6	5
Actual days delivered	931	555	Satisfactory	13	8
Percentage of Audit Days Delivered	118.6%	84.1%	Limited	4	2
Number of Reports Issued	26	17	No	-	-
			Other (including letters)	3	2

Substantial Assurance Reports

✓ Services to Members

The Audit evaluated the adequacy and effectiveness of the systems and controls relating to Services to Members, which included a review of governance arrangements, Members' community leadership scheme, allowance payments, Chairman's fund and official cars. In the majority of instances, working practices were operating effectively, with minor improvements raised in relation to the scheme administration.

✓ Accounts Receivable

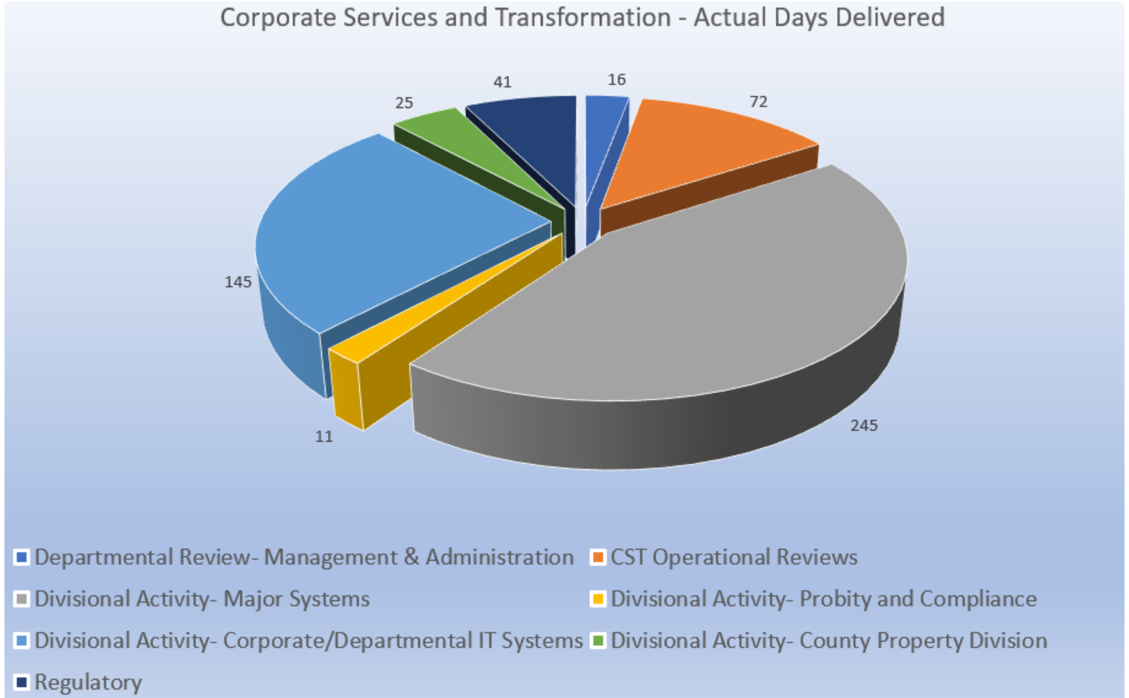
This review assessed the adequacy and effectiveness of the Council's processes relating to invoice creation, income collection, suspense accounts and performance indicators, which are performed by the centralised Accounts Receivable function. As in previous years, the audit identified good practice in the majority of the areas subject of review.

Pensions and Fund Management

The Audit considered the adequacy and effectiveness of systems, risk mitigations and control environment associated with the administration of Pensions and Funds Management. No significant weaknesses were identified during the review with no high priority recommendations being raised.

Channel Shift Review

Some barriers to progress have been encountered in the form of implementation delays, departmental engagement and lack of agreed realised saving allocations. Responsible officers have actively sought resolution, adjusting processes and procedures to minimise the impact, and reduce the potential for similar issues in future.



Treasury Management Review

As in prior years, good practice has been noted in relation to the administration of the function with established systems and processes in place that are operating effectively. As a result, no critical or high priority recommendations were noted during this review.

Satisfactory Assurance Reports

BACS Payment System (2021-22) Review issued in 2022-23

The review considered the operational procedures and disaster recovery arrangements, which overall, confirmed that the BACS process is well established with only a small number of areas highlighted for improvement. No high priority recommendations were raised as part of this review.

Policy and Research (2021-22) Review issued in 2022-23

Overall, the areas subject to review were found to be operating effectively with procedures in place to monitor assigned activities. The service is encountering significant problems in supporting the delivery of key Council objectives and projects, due to the availability of staff resources and pandemic related issues. Whilst steps have been taken to alleviate the resourcing issues including a recruitment process for new staff to support project delivery, this still is a challenge for the Service.

Communications and Customers Review

The service was found to have a clear governance framework which contributed to effective stewardship, providing a stable foundation for the operations of the Communications Service. Areas of improvement were reported in connection with the shortfall in income generation and embedding of risk management across the service activities.

Legal Services Review (2021-22) Review issued in 2022-23

The review identified several areas of good practice in relation to strategic planning, staff supervision and support, and the recording and actioning of comments and complaints. It also identified several systems and processes that require further development to ensure that they are operating efficiently and effectively.

Accounts Payable

As with previous audits, the Accounts Payable function was deemed to be operating well in all areas subject of review. The team is well established and day to day operations are supported by an effective management structure. As a result, no high priority recommendations have been raised during this audit, with only a couple of low priority matters raised to improve the current control framework.

Coroner Service Review

Since the previous Audit review, the controls surrounding purchasing of goods and services have been strengthened, with action taken in relation to the employment status of Assistant Coroners that was raised as a critical recommendation previously. Improvements are, however, required in relation to the retention of personnel files for Coroner staff, the embedding of the MyPlan process and the retention of evidence to demonstrate the completion of the induction process by new starters.

Corporate Services and Transformation

This annual review established that generally adequate and effective systems and controls are currently in place. Good practice was noted in all areas. One ‘high’ priority recommendation was raised relating to deficiencies in formal reporting and transparent information sharing with cabinet members.

Limited Assurance Reports

Derbyshire Business Centre (2021-22) Review issued in 2022-23

Fundamental issues were identified in respect of the arrangements in place to maintain service continuity in the event of a serious incident occurring. These included undertaking an updated disaster recovery assessment and improvements within certain physical security controls and staff training arrangements.

Call Derbyshire Review

Many areas of good practice were noted during the review including well documented procedure notes, out of hours arrangements and local information security arrangements. Enhancements to the call management systems were recommended to improve customer experience and in keeping with other parts of the Council, staff recruitment and retention is an ongoing challenge for the service.

Support and Consultancy Work

In addition to our programme of Audits, the Unit assists management with the provision of ongoing support, advice, and grant certifications. Groups attended during 2022-23 include Finance Officers and the Data Protection Working Group.

Detailed Analysis – Children's Services

Departmental Performance	2021-22	2022-23	Departmental Opinions	2021-22	2022-23
Days within the Approved Audit Plan	475	487	Substantial	1	2
Actual days delivered	238	476	Satisfactory	3	9
Percentage of Audit Days Delivered	50.1%	97.7%	Limited	-	4
Number of Reports Issued	4	22	No	-	-
			Other (including letters)	-	7

Substantial Assurance Reports

✓ Children's Services Departmental Review (2021-22) Report issued

The annual departmental review of Children's Services considered statutory and regulatory compliance, management and administration, budgetary control, risk, human resources and compliance with the ISO27001 standard. Despite a significant increase in the volume and complexity of service needs during the period under review, the Audit identified only minor recommended improvements in the areas of statutory compliance, staffing and the ISO27001 standard.

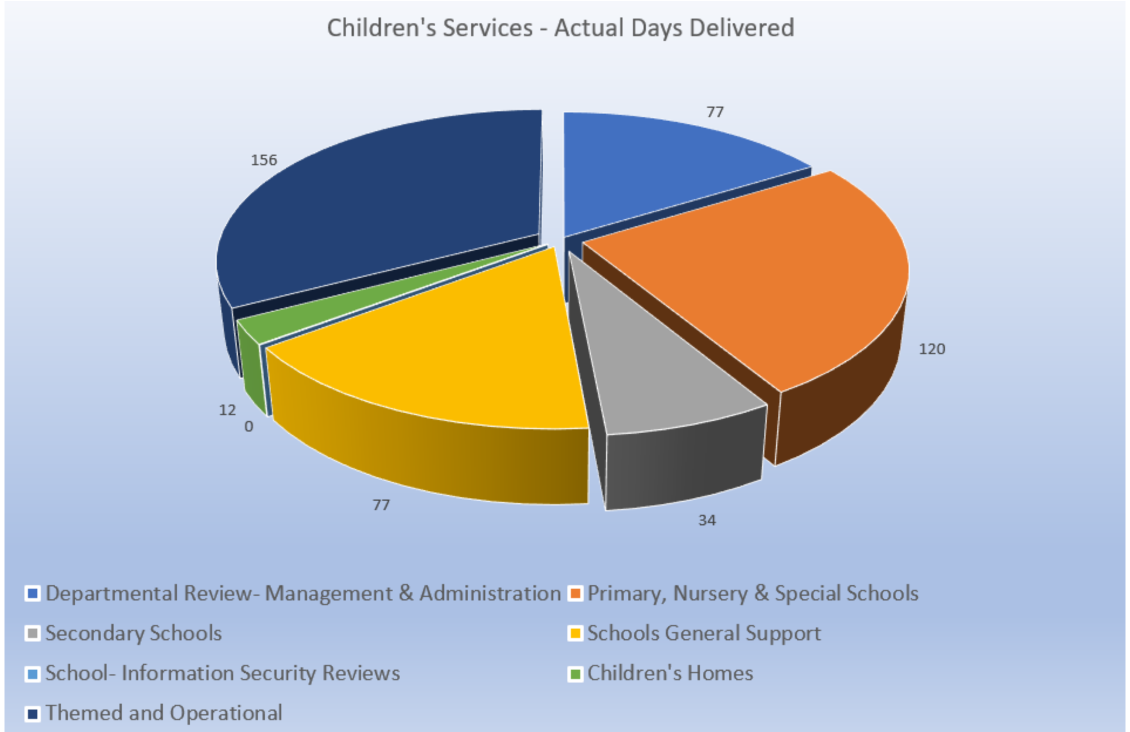
Satisfactory Assurance Reports

Children at Risk of Missing Eductaion

The review established that overall adequate and effective systems and controls were in place with areas of good practice noted across the service. Further work is required to ensure that guidance documents are regularly reviewed and that information management and performance monitoring arrangements are strengthened.

Education Data Hub

There were several areas of good practice identified particularly surrounding the procedural guidance produced for staff, which was found to be comprehensive and subject to regular update and review. There were, however, a few areas where further work was required to ensure the service operating model is sustainable, these included implementing key performance indicators and management of service reductions in the event of changes in the current data protection requirements.



CORE+ Youth Offending IT System Review

Overall, the review evidenced areas of good practice in relation to adherence to legal requirements and professional standards. A small number of areas for improvement were identified, which related to the security arrangements applied to the historical information held within the CORE+ development/test environment and a requirement to ensure that the business continuity arrangements were reviewed.

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Limited Assurance Reports

Graduated Response for Individual Pupils (GRIP) Funding Review

The review noted that the GRIP Programme was unique to Derbyshire and introduced to try and ensure the prompt and targeted allocation of high needs funding to pupils in need of support. However, delays in the administration of GRIP applications meant that in practice, these objectives were not being achieved.

Other Assurance Reviews

Bursary Fund Reviews

Four secondary schools were visited which operate a Bursary Fund for pupils aged between 16-19 to assess compliance with the Education and Skills Funding Agency (ESFA) best practice. Adequate procedures were in place in relation to the management of the fund, with one school advised of the opportunity to recoup £2,400.

Schools

Twelve school audit visits were undertaken to evaluate governance arrangements, human resources, property and information security. Of the reports issued, Audit Services provided two substantial, eight satisfactory and two limited assurance levels over the adequacy and effectiveness of their control environment. Common recommendations related to compliance with agreed spending limits, the creation of a formal Service Level Agreement with the School's IT provider and the proper administration of out-of-pocket expenses.

Schools Duplicate Payments Testing - Letter issued

Using data extracted from the Council's systems, a total of 114 duplicate payments with a total value over £46k were identified and work is ongoing to seek to recover these overpayments. In addition, a further £70k of duplicate payments were identified and notified to schools for investigation.

Support and Consultancy Work

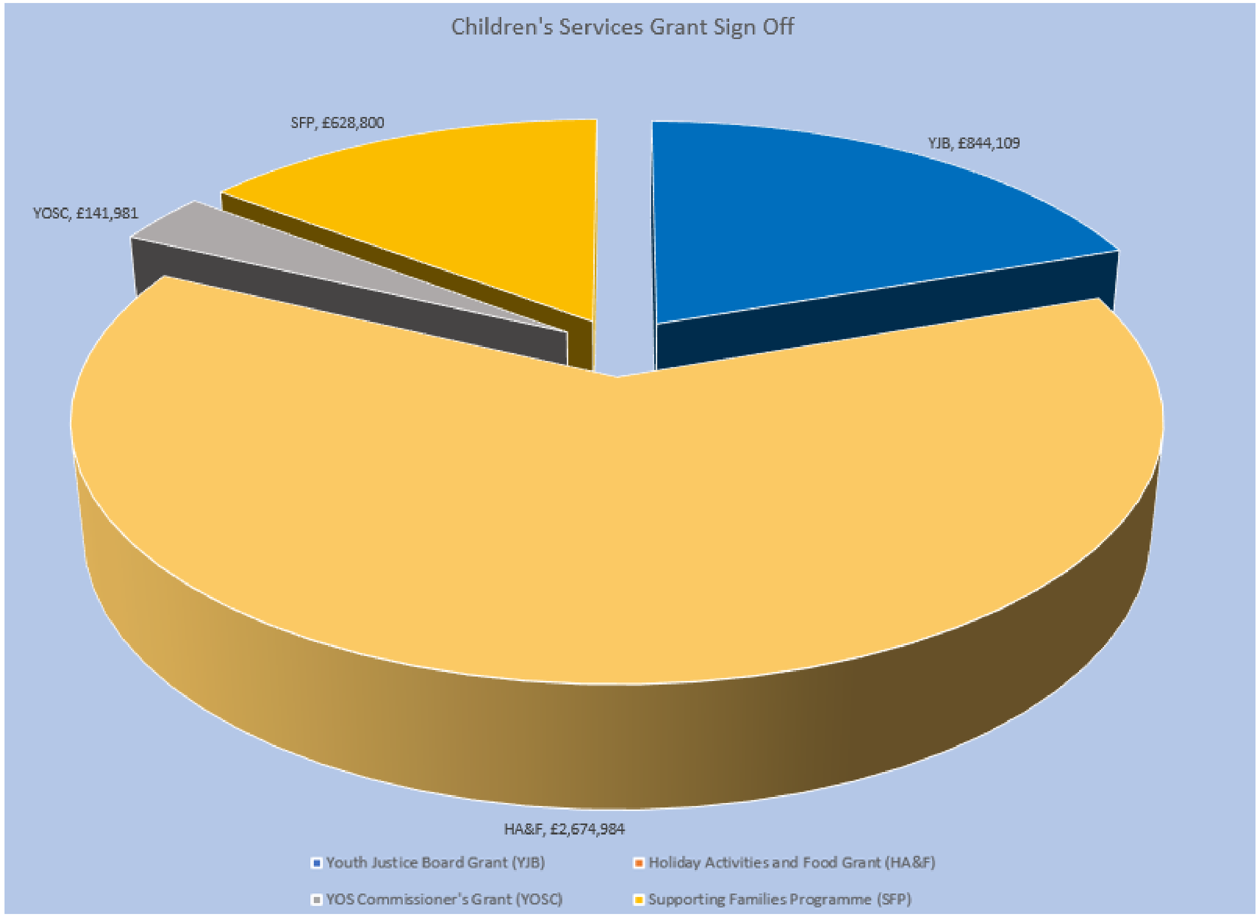
In addition to our programme of Audits, the Unit assists management with the provision of ongoing support, advice, and grant certifications. These included:

Holiday Activities and Food Programme (HAF) - Audit Services reviewed the expenditure which has been incurred for the HAF grant of approximately £2.67m.

Youth Justice Board Grant - Audit Services provided the Youth Justice Board with independent assurance that the grant funding of £844k had been used for delivery of the funded activities.

Derbyshire Youth Offending Service - The Council received £141k funding from the Derbyshire Police and Crime Commissioner Crime as part of the Disorder Reduction Grant.

Supporting Families - Audit staff undertake assurance work in order to review claims as part of the Supporting Families Programme. The value of the claims submitted was £628k.



Schools - Throughout the year, Audit Services provided ongoing support and guidance to the Council's maintained schools on a wide range of matters.

Detailed Analysis – Adult Social Care and Health

Departmental Performance	2021-22	2022-23	Departmental Opinions	2021-22	2022-23
Days within the Approved Audit Plan	303	395	Substantial	-	3
Actual days delivered	302	421	Satisfactory	6	19
Percentage of Audit Days Delivered	99.7%	106.6%	Limited	-	1
Number of Reports Issued	6	25	No	-	-
			Other (including letters)	-	2

Substantial Assurance Reports

✓ Deputyship Service

The Audit concluded that Deputyship staff were knowledgeable, experienced and supported by policies and procedures which provide clear guidance to officers and stakeholders. Although the service has experienced resource shortages in recent years, these have now been addressed following the completion of a recruitment exercise.

✓ Establishment Visit

A visit was performed to one of the Council's care establishments. The review provided substantial assurance and noted a strengthening of the control environment since the previous Audit visit in 2018-19.

✓ Safeguarding Adults

The Council has a statutory responsibility to safeguard adults as determined by the Care Act 2014. A number of areas of good practice were identified which included the procedural guidance produced by the Derbyshire Safeguarding Adults Board (DSAB), which was found to be regularly updated and publicly available via their dedicated website. The safeguarding responsibility also forms a significant part of the Department's Quality Assurance Framework.

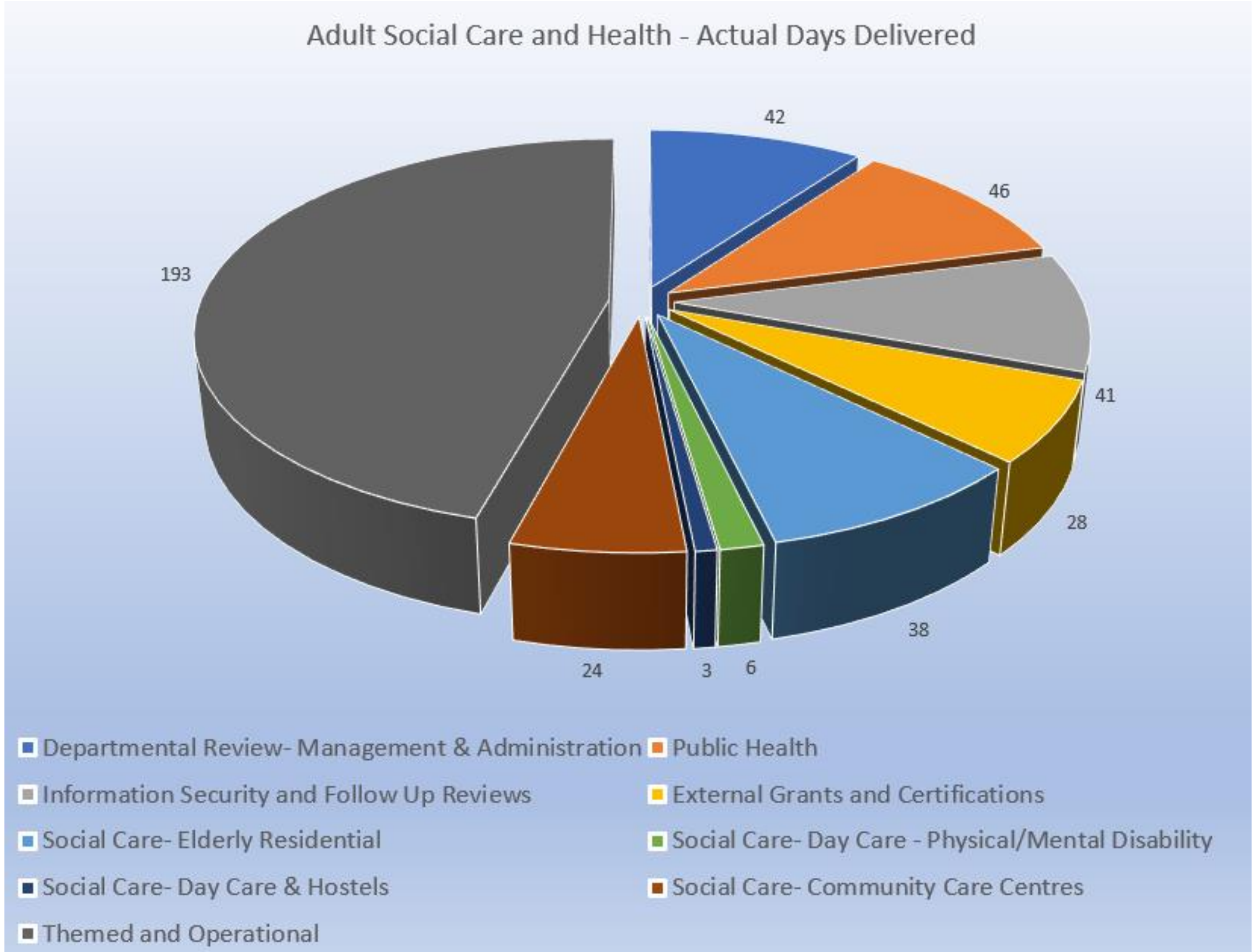
Satisfactory Assurance Reports

Departmental Review (2021-22) Review issued in 2022-23

The Audit concluded that throughout the pandemic, the Department has adapted its service provision, working practices and governance arrangements to respond to national and local guidance and to safeguard the wellbeing of both service users and Departmental staff.

Derbyshire Shared Care Record

Implementation of the Derbyshire Shared Care Record (DSCR) will enable enhanced data sharing within a controlled environment. The purpose of this review was to evaluate the adequacy and effectiveness of systems, risk mitigations and the control environment associated with the DSCR. Work has been undertaken to ensure the Council's processes are compliant including the completion and review of a data protection impact assessment to support the project.



Community Testing

The Community Testing programme was introduced at pace following a successful submission of a plan to the Department of Health and Social Care to identify individuals with Covid-19 who were asymptomatic. The review identified some weaknesses in governance arrangements for ensuring conflicts of interest were promptly identified, recorded and reviewed and action taken to reduce the associated risks. There are other lessons to be learnt from the implementation of this programme that may be applied to any future activity.

Review of Quality Assurance Framework

As part of the Council's response to the findings and recommendations of the Local Government and Social Care Ombudsman (LGSCO) in November 2019 following an incident at The Grange (2016), the Council established a Quality Assurance Strategy. Although significant progress has been made in terms of implementing Quality Assurance into normal working practices, governance arrangements have evolved since key documents were first introduced and these now require review and update to reflect current arrangements.

Disabled Facilities Grant (DFG) Funding Administration

The review provided satisfactory assurance over the systems and controls in place with good practice noted in the allocation of DFG monies to local housing authorities and the recovery of Disability Design Team costs. The impact of national resource shortages within Occupational Therapy on the timely evaluation of DFG applications was however recognised. The Council was also encouraged to work with partners to create a single regional Adaptations Policy for Derbyshire and a DFG Information Sharing Agreement between health, social care and housing partners to ensure a consistent and coordinated approach to DFG across the region.

Social Worker Arrangements (2021-22) – Report issued in 2022-23

The review provided satisfactory assurance over the controls in place with good practice noted around the allocation of cases to social workers and compliance with the Local Government Association's Standards for Employers of Social Workers in England. Social workers did, however, report significant workload pressures which impacted upon their ability to undertake training courses and to complete case notes within their core working hours.

Due diligence review of the new Deputyship Case Management System

The Deputyship Case Management System holds confidential and sensitive personal and financial information relating to the Council's deputyship clients. As part of the procurement of the new Deputyship Case Management System (Caspar Cloud), Audit Services performed due diligence on a test version of the application to consider whether it complied with the Council's core information security policies. The review did not identify any significant weaknesses with only minor improvements recommended.

Public Health Review

The Audit considered the adequacy and effectiveness of the controls relating to Public Health strategy and governance, commissioning and procurement, financial and performance management and grants administration together with a review of the progress made in addressing previous audit recommendations. Overall, the service had robust arrangements in place across the majority of the areas subject to the review including budget monitoring, management of agency staff within community testing and procurement arrangements.

Adult Care Commissioning Review

Whilst the governance arrangements and strategic direction of the Commissioning and Contracting functions were found to be fundamentally sound, the level of information shared with senior management, was identified as an area for potential improvement to optimise decision making, performance monitoring and transparency of the operation.

Financial Assessments

The Council has a statutory requirement to provide a universal Deferred Payment Scheme (DPS) to provide support to residents where their capital funds are tied up in assets (such as property). It was concluded that the scheme is well managed with regular reviews and statutory returns being submitted annually.

Limited Assurance Reports

⚠ Compliance with Department for Work and Pensions (DWP) Data Sharing Agreement Review

The scope of the audit was to assess the Council's compliance with the DWP Memorandum of Understanding for utilising government IT systems. The review confirmed a good level of compliance against the operational requirements. However, areas for improvement were reported to senior management including within the Council's ICT network administration and entries within the service risk registers.

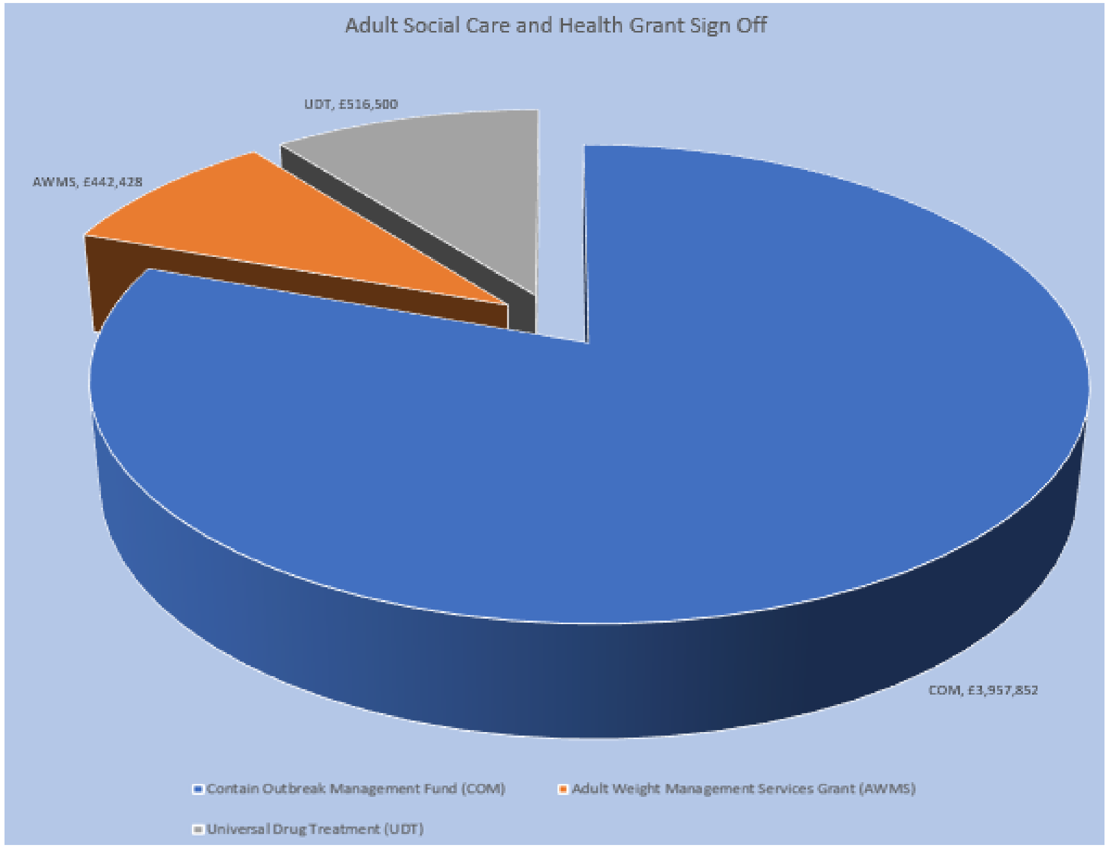
Support and Consultancy Work

In addition to our programme of Audits, the Unit assists management with the provision of ongoing support, advice, and grant certifications. These included:

Contain Outbreak Management Fund - The Council was allocated around £4m from the Contain Outbreak Management Fund (COMF) to help reduce the spread of coronavirus and support local public health.

Adult Weight Management Services Grant - Grant funding of £442k was received to support the targeting of weight management services to specific population groups.

Universal Drug Treatment - £516k funding from Public Health England (PHE) drug treatment crime and harm reduction activity.



Detailed Analysis – Place

Departmental Performance	2021-22	2022-23	Departmental Opinions	2021-22	2022-23
Days within the Approved Audit Plan	180	230	Substantial	2	1
Actual days delivered	291	174	Satisfactory	6	3
Percentage of Audit Days Delivered	161.7%	75.7%	Limited	-	2
Number of Reports Issued	9	7	No	1	-
			Other (including letters)	-	1

Substantial Assurance Reports

Departmental Review (2021-22) issued in 2022-23

It was considered that despite the complex challenges brought about by the Covid-19 response, subsequent home working directive and numerous adverse weather events, the Department has effectively adapted its procedures to ensure continuity of service provision wherever possible, whilst maintaining the effective discharge its statutory and legislative responsibilities.

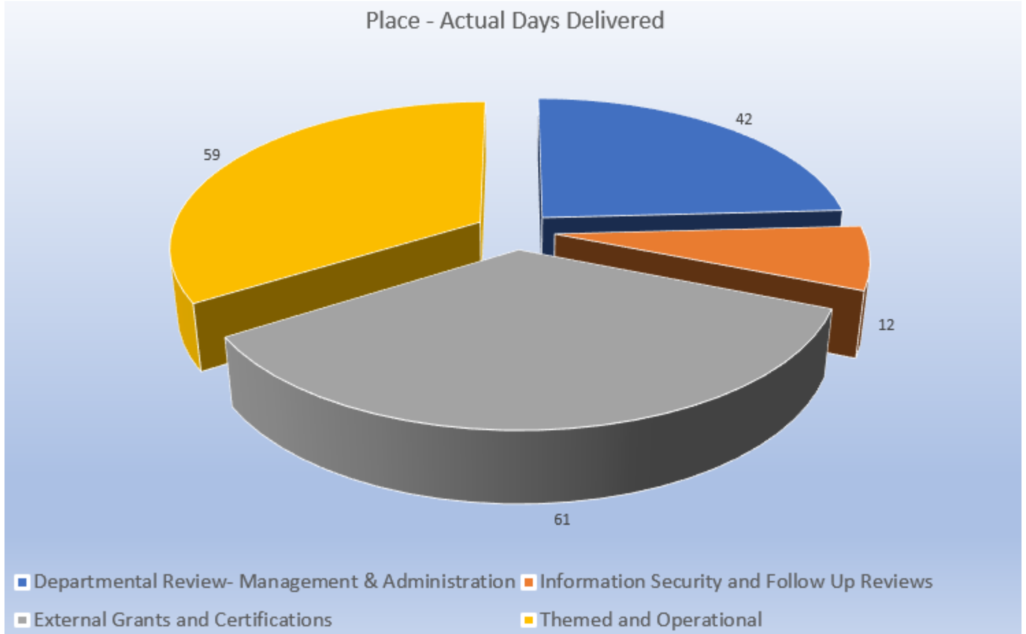
Satisfactory Assurance Reports

Confirm Single Asset Management System

The Confirm Single Asset Management System is used by the Department as their primary asset management system and is essential in supporting the maintenance of the Council’s highways network. The review recognised that the system is due to be replaced and a number of recommendations were identified which should be applied to the configuration and implementation of the new solution.

Fleet Services

The Audit confirmed that systems and controls surrounding management of the Council's vehicle fleet are generally adequate and operating successfully. The service has continued to work effectively during the pandemic despite the challenges of increased workload and restrictive practices introduced as part of Council-wide, localized and national Covid-19 response procedures. However, it was considered imperative that the Transport Code of Practice and Management of Operational Road Risk Policy, which are the central means of communicating and administering the Council's approved fleet procedures, is updated.



Flexiroute System Review

A review of the IT system's due diligence control framework was conducted with the cooperation of staff from the supplier and the Council's Procurement team. Overall, the review identified that the majority of areas evaluated, demonstrated good practice in relation to adherence to legal requirements and professional standards. A small number of areas for improvement were identified, of which most were addressed by the supplier following the issue of the Audit Services – Due Diligence Report

Limited Assurance Reports

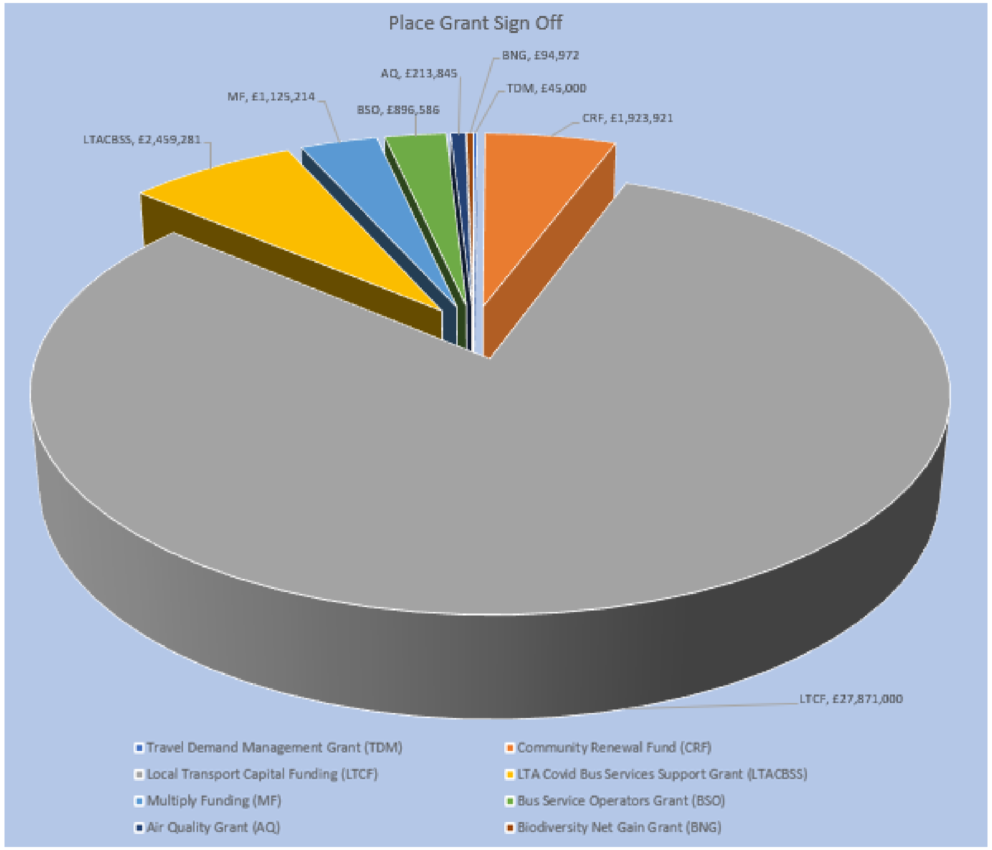
Highways Capital Programme Review

During the review it was confirmed that significant changes had been initiated by the Highways Programme Director. These changes have focused on the governance arrangements supporting the Highways Capital Programme, with the intention of strengthening and streamlining processes whilst strengthening transparency and accountability. Improvements in procedural guidance, project costing and implementation of performance measures were referred to senior management for consideration.

Support and Consultancy Work

In addition to our programme of Audits, the Unit assists management with the provision of ongoing support, advice, and grant certifications. These included:

The Local Transport Capital Funding Grant – This includes a number of blocks including integrated transport, highway maintenance and the pothole fund with a combined value over £27m.



Community Renewal Fund - In 2021-22, the Council secured total funding of approximately £2m for 2 projects under the Community Renewal Fund. Audit Services attended meetings of the Steering Group and contributed to the development of a suitable governance framework to support the award and monitoring of grant projects with the grant signed off in November 2022.

Multiply Funding - Initial work has been undertaken as part of the preparations to support the assurance work for the adult numeracy programme that is covered by the Multiply Funding of £1.137m.

In addition to the above, Audit Services routinely review and sign off grants which are received including the Bus Service Operators Grant, Travel Demand Management and Local Transport Capital Funding Grants. In respect of the Local Transport Authority (LTA) Covid Bus Services Support Grant, a controls report was issued following difficulties in ‘signing off’ the grant and concerns that the Department for Transport (DfT) could withhold future funding.

Quality Assurance and Improvement Programme (QAIP) & Performance Indicators

Quality Assurance and Improvement Programme

As part of the Unit's compliance with the principles of the PSIAS, the Head of Internal Audit maintains an ongoing Quality Assurance and Improvement Programme (QAIP). This process aids continuous improvement and upholds professional standards. This includes provision for both internal and external assessment of conformity with the PSIAS.

As part of the 2021-22 Annual Audit Report considered by the Audit Committee on 5 August 2022, the previous Head of Internal Audit completed an assessment of the Unit's current compliance with the PSIAS. The review identified near full compliance with the tests of conformance, with no areas of non-compliance within the standards that would affect the overall scope or operation of the internal audit activity. A small number of areas were identified where there is scope for improvement to ensure the service is meeting best practice. These actions have been progressed during 2022-23, with the current status shown in **Appendix 5**.

INTERNAL AUDIT STRATEGY

	OBJECTIVES	MEASURES
TALENT	Independent and Objective Proficiency and Professionalism Talent Source for Organization	Certifications and CPE Training Competency Assessments Staff Rotation Program
PROCESS	Independence and Objectivity Consulting Activities Quality Assurance and Improvement Program	Performance Metrics Risk-based Audit Plan Completion Internal and External Assessments
INNOVATION	Add Value Through Efficiency Advance Use of Technology Proactive	Cost Savings Automation in Audit Data Analytics
TRUSTED ADVISOR	Strategic Partner Reliable Consultant Facilitate Positive Change	Communications Plan Stakeholder Surveys Industry Benchmarking

External Quality Assessment (EQA)

The Council's most recent EQA was completed by CIPFA and reported to the Audit Committee on 10 December 2019, which stated that the Unit 'conformed' to all current standards. As the standards mandate that the EQA process is undertaken every five years, a procurement process is currently underway to deliver this within 2023-24.

Performance Indicators (PIs)

Whilst initial work had been undertaken towards the review of the Unit's performance indicators, this was not finalised prior to the departure of the previous Head of Internal Audit. As a result, and until the revised indicators are approved by the Audit Committee, the current PIs have been used, with the outcomes for 2022-23 summarised at **Appendix 2**. As with previous Annual Audit Reports, the PIs include details of the previous years' activities to enable a comparison.

Whilst it is disappointing that the Unit has not managed to achieve all of its target PIs over which it has direct control, there have been improvements over previous years, which provide an assurance that the team is moving forwards to improve its overall performance. The upcoming EQA review and commencement in post of the incoming Head of Internal Audit will provide the opportunity during 2023-24 to refresh the Audit Services PIs.

Audit Feedback Questionnaires

As part of the Unit's ongoing processes to develop the service and ensure audit engagements, reports and processes are delivered to a professional standard, feedback from auditees including line managers is obtained during each audit and as part of an annual feedback survey.

Whilst there has been an increase in the number of responses received at the conclusion of individual audit reviews, the response rate remains low. Of the 62 questionnaires issued with the Audit Reports, only 15 responses were received. However, from the responses received, it is clear that the audit service and staff professionalism is well regarded across the service areas. As outlined in detail in **Appendix 3**, the overall summary of responses for the questions asked about the audit, reporting and staff engagement returned 100% responses of satisfactory or above.

However, the message is somewhat mixed when an analysis of the annual feedback from senior management including Executive Directors and Service Directors is considered. Overall, the feedback is positive across most questions based on the number of responses (11), with positive comments on the support provided to departments and professionalism of Audit staff. However, there are clearly areas for improvement around enhanced engagement with departments and senior officers to ensure the audit message is provided consistently and around the timeliness of the audit reporting. It was also disappointing to receive adverse feedback on the new style Audit Report, with five responses stating the Report content did not focus on the key risk areas. Over the coming months and with the support of the new Assistant Director of Finance (Audit), meetings will be held with all directors to obtain further information to help improve the Audit Service delivery.

Appendix 1 - Progress Against the 2022-23 Audit Plan

Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
	21-22	22-23				Critical	High	Medium	Low		
Corporate Activities – The 2022-23 Audit Plan included an allocation of 1,000 days over the following areas											
Corporate Projects											
VP018 East Midlands Broadband (emPSN)	-	1	-	-	-	-	-	-	-	-	
VP037 Workforce Development/ Succession Planning	-	-	-	-	-	-	-	-	-	-	
VP044 D2N2 LEP	5	27	Substantial	Substantial	⟺	-	-	2	1	-	
VP047 Supply Chain Failure	-	-	-	-	-	-	-	-	-	-	
VP055 Corporate Culture	-	-	-	-	-	-	-	-	-	-	
VP064 New Delivery & Commissioning Models/Partnership Working	-	-	-	-	-	-	-	-	-	-	
VP067 Climate Change	-	37	-	-	-	-	-	-	-	-	
➢ VP069 Fraud Awareness	-	7	-	-	-	-	-	-	-	-	
VP070 Modern Ways of Working	-	36	-	5 x Letters 1 x Limited	⟺	-	1	2	0	-	
VP071 Asset Optimisation	-	3	-	-	-	-	-	-	-	-	
VP072 East Midlands Freeport	-	-	-	-	-	-	-	-	-	-	
VP073 County Deals	-	1	-	-	-	-	-	-	-	-	
VP073 Customer Complaints & Enquiries Process	-	1	-	-	-	-	-	-	-	-	
VP074 Thriving Communities	-	-	-	-	-	-	-	-	-	-	
➢ VP075 Ukraine Family Scheme	-	10	-	Letter	-	-	-	-	-	-	
Total	**5**	**123**	**-**	**1 x Substantial 1 x Limited 6 x Letters**	**-**	**-**	**1**	**4**	**1**	**-**	
Corporate Governance											
CR001 Embedding Corporate Governance	-	100	-	-	-	-	-	-	-	-	
CR005 Services to Members	-	26	Satisfactory	Substantial	⇧	-	-	2	8	4H, 4M, 1L	
CR007 Information Governance Group & Support	-	16	-	-	-	-	-	-	-	-	
CR008 Cyber Security Group & Support	1	34	-	2 x Letters	-	-	-	-	-	-	

Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
	21-22	22-23				Critical	High	Medium	Low		
CR009 Data Protection Group & Support	-	8	-	-	-	-	-	-	-	-	
Total	**1**	**184**		**1 x Substantial 2 x Letters**	**-**	**-**	**-**	**2**	**8**	**4H, 4M, 1L**	
Corporate Fraud Prevention											
CZ100 External Audit Liaison	-	1	-	-	-	-	-	-	-	-	
CZ200 National Fraud Initiative	-	55	-	-	-	-	-	-	-	-	
CZ300 National Anti-Fraud Network	-	6	-	-	-	-	-	-	-	-	
CZ400 RIPA Management & Admin	-	6	-	-	-	-	-	-	-	-	
ZZ000 Internal Audit-Special Investigations General	142	238	-	4 x Reports	N/A	5	5	2	-	-	
Total	**142**	**306**	**-**	**4 x Reports**	**-**	**5**	**5**	**2**	**-**	**-**	
Strategic Management			-	-	-	-	-	-	-	-	
VW001 Strategic Management	-	90	-	-	-	-	-	-	-	-	
VW002 Strategic Management (Risk)	-	56	-	-	-	-	-	-	-	-	
VW003 Assurance Mapping	-	99	-	-	-	-	-	-	-	-	
➢ VW005 Audit Case Management System	-	1									
Total	**-**	**246**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Audit Planning Contingency			**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
XX000 Audit Planning Contingency	-	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Corporate Activities Total	**148**	**859**	**-**	**2 x Substantial 1 x Limited 4 x Reports 8 x Letters**	**-**	**5**	**6**	**8**	**9**	**4H, 4M, 1L**	

Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
	21-22	22-23				Critical	High	Medium	Low		
Corporate Services and Transformation Department - The 2022-23 Audit Plan included an allocation of 660 days over the following areas											
Departmental Review - Management & Administration (CST)											
CA100 Corporate Services and Transformation Departmental Review	7	9	Satisfactory	Satisfactory	⟺	-	1	3	6	2M, 1L	
CA102 External Grants and Certifications	-	-	-	-	-	-	-	-	-	-	
Total	**7**	**9**	**-**	**1 x Satisfactory**	**-**	**-**	**1**	**3**	**6**	**2M, 1L**	
CST Operational Reviews											
CO002 Business Continuity Planning - Corporate Response	-	-	-	-	-	-	-	-	-	-	
CO003 Derbyshire Business Centre	-	1	Limited	Limited	⟺	1	5	9	5	2H	
CO008 Communications and Customers	-	23	N/A	Satisfactory	⟺	-	2	-	2	N/A	
CO009 Implementation of ICT Strategy	-	-	-	-	-	-	-	-	-	-	
➢ CO010 Policy and Research	1	-	N/A	Satisfactory	⟺	-	-	3	1	3M	Report relates to 2021/22 Audit
➢ CO011 Legal Services	15	-	N/A	Satisfactory	⟺	-	-	8	2	-	Report relates to 2021/22 Audit
CO015 Business Continuity Planning - ICT	-	-	-	-	-	-	-	-	-	-	
➢ CO016 Communications and Customers – Call Derbyshire	-	14	N/A	Limited	⟺	-	1	5	-	N/A	
➢ CO017 Communications and Customers – Channel Shift	-	18	N/A	Substantial	⟺	-	-	2	2	N/A	
Total	**16**	**56**	**-**	**1 x Substantial** **3 x Satisfactory** **2 x Limited**	**-**	**1**	**8**	**27**	**12**	**2H, 3M**	
Divisional Activity – Major Systems											
MA100 Core Financial Systems – General Queries	-	8	-	-	-	-	-	-	-	-	
MB100 Human Resources Management	13	-	Satisfactory	Satisfactory	⟺	-	2	1	4	3M, 2L	
MC100 Accounts Payable	-	34	Substantial	Substantial	⟺	-	-	-	2	1M, 2L	
MD100 Corporate Purchasing	-	59	-	-	-	-	-	-	-	-	
ME100 Accounts Receivable	-	20	Substantial	Substantial	⟺	-	-	-	4	-	
MG100 Accountancy, Budgetary Control and Financial Resilience	-	59	-	-	-	-	-	-	-	-	
➢ ML100 Pensions & Funds Administration	10	-	Substantial	Substantial	⟺	-	-	1	8	2M, 1L	
ML101 LGPS Central Audit	-	17	-	-	-	-	-	-	-	-	

Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
	21-22	22-23				Critical	High	Medium	Low		
MM100 Treasury Management	-	25	Substantial	Substantial	⇔	-	-	1	3	1M, 1L	
Total	**23**	**222**	**-**	**4 x Substantial 1 x Satisfactory**	**-**	**-**	**2**	**3**	**21**	**7M, 6L**	
Divisional Activity – Probity and Compliance											
DC400 Financial Regulations & Standing Orders	-	-	-	-	-	-	-	-	-	-	
DE101 Cash Audit & ISO 27001 Visits	-	4	N/A	Letter	-	-	2	2	2	-	
DE500 Insurance & Risk Management	-	-	-	-	-	-	-	-	-	-	
➢ DE600 Officers' Travel	-	7	-	-	-	-	-	-	-	-	
Total	**-**	**11**	**-**	**1 x Letter**	**-**	**-**	**2**	**2**	**2**	**-**	
Divisional Activity – Corporate/ Departmental IT Systems											
CK002 Corporate Database Review	-	-	-	-	-	-	-	-	-	-	
CK003 Network Infrastructure Review	-	9	-	-	-	-	-	-	-	-	
CK004 Server Infrastructure Review	-	1	-	-	-	-	-	-	-	-	
CK006 Bacs Payment System Review	1	-	Limited	Satisfactory	↑	-	-	9	1	3H, 1M	
Departmental IT Systems & Contracts	-	134	N/A	Satisfactory	⇔	-	-	4	1	-	Hootsuite Media
Total	**1**	**144**	**-**	**2 x Satisfactory**	**-**	**-**	**-**	**13**	**2**	**3H, 1M**	
Divisional Activity – County Property Division											
DV100 Property Services Review	-	25	-	Letter	-	-	-	-	-	-	
Total	**-**	**25**	**-**	**1 x Letter**	**-**	**-**	**-**	**-**	**-**	**-**	
Regulatory											
QG100 Coroner's Service Review	-	41	Limited	Satisfactory	↑	1	4	2	-	2H, 4M	
Total	-	**41**	-	**1 x Satisfactory**	**-**	**1**	**4**	**2**	**-**	**2H, 4M**	
Departmental Total	**47**	**508**	**-**	**5 x Substantial 8 x Satisfactory 2 x Limited 2 x Letters**	**-**	**2**	**17**	**50**	**43**	**7H, 17M, 9L**	

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Name	Actual Days 21-22	Actual Days 22-23	Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations Critical	High	Medium	Low	Previous Recs Not Implemented	Comments
Children's Services Department – The 2022-23 Audit Plan included an allocation of 487 days over the following areas											
Departmental Review – Management & Administration (CS)											
AA001 Children's Services – Departmental Review	1	-	Qualified	Substantial	↑	-	-	1	7	3M	Report relates to 2021-22
AA002 Children's Services - General Support	-	1	-	-	-	-	-	-	-	-	
AA004 Information Security and Follow Up Reviews	-	48	1 x Satisfactory 1 x N/A	2 x Satisfactory	↔	-	2	6	3	1L	
External Grants and Certifications	-	27	N/A	Letter	-	-	-	-	-		Holiday Activities and Food Programme
Total	**1**	**76**	**-**	**1 x Substantial 1 x Letter**	**-**	**-**	**2**	**7**	**10**	**3M, 1L**	
Primary, Nursery & Special Schools											
Primary, Nursery & Special Schools	-	120	3 x Satisfactory 7 x Limited	1 x Substantial 6 x Satisfactory 3 x Limited	-	-	44	81	50	48H, 17M, 18L	
Total	**-**	**120**	**-**	**1 x Substantial 6 x Satisfactory 3 x Limited**	-	**-**	**44**	**81**	**50**	**48H, 17M, 18L**	
Secondary Schools											
Secondary Schools	-	34	2 x Satisfactory	1 x Substantial 1 x Satisfactory 5 x Letters	-	-	-	10	5	1H, 6M, 1L	Letters issued to four Secondary Schools and Director of Finance & ICT regarding School Bursary arrangements.
Total	**-**	**34**	**-**	**5 x Letters**	-	-	-	**10**	**5**	**1H, 6M, 1L**	
Schools General Support											
Schools General Support	**-**	77	-	1 x Letter	-	-	-	-	-	-	Letter relating to the review of potential duplicate payments by schools.
Total	**-**	**77**	**-**	**1 x Letter**	**-**	**-**	**-**	**-**	**-**	**-**	
School - Information Security Reviews											
Information Security Reviews	-	-	-	-	-	-	-	-	-	-	
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Children's Homes											
Children's Homes	-	12	1 x Limited	1 x Satisfactory	↑	-	1	3	3	3H	
Total	**-**	**12**	**-**	**1 x Satisfactory**	**-**	**-**	**1**	**3**	**3**	**3H**	

Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
	21-22	22-23				Critical	High	Medium	Low		
Themed and Operational											
AO005 Fostering and Adoption Services	-	11	-	-	-	-	-	-	-	-	
AO013 Supporting Families Programme	-	38	-	-	-	-	-	-	-	-	
AO016 Starting Point	-	27	-	-	-	-	-	-	-	-	
AO019 Children at Risk of Missing Education	-	30	Substantial	Satisfactory	↓	-	1	4	2	1L	
AO022 Impact of Children in Care	-	-	-	-	-	-	-	-	-	-	
AO026 Use of Personal Budgets for Children with SEND	-	30	Satisfactory	Limited	↓	1	1	2	4	1L	Days reallocated to a review of the Graduated Response for Individual Pupils (GRIP) Programme.
➢ AO030 Education Data Hub	-	20	N/A	Satisfactory	↔	-	1	8	-	N/A	
AO031 Management of Service Demands	-	-	-	-	-	-	-	-	-	-	
AO032 Management of School Exclusions	-	-	-	-	-	-	-	-	-	-	
Total	**-**	**156**	**-**	**2 x Satisfactory 1 x Limited**	**-**	**1**	**3**	**14**	**6**	**2L**	
Departmental Total	**1**	**475**	**-**	**2 x Substantial 9 x Satisfactory 4 x Limited 7 x Letters**	**-**	**1**	**50**	**115**	**74**	**52H, 26M, 22L**	

Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
	21-22	22-23				Critical	High	Medium	Low		
Adult Social Care and Health Department – The 2022-23 Audit Plan included an allocation of 395 days over the following areas											
Departmental Management and Administration Review											
BA001 Adult Social Care and Health Department Departmental Review	-	26	Qualified	Satisfactory	⟺	-	1	10	4	1H, 7M, 5L	Report relates to 2021/22 Audit
BA002 Adult Social Care and Health - General Support	-	16	-	-	-	-	-	-	-	-	Note: 13 days reallocated to Information Security reviews.
Total	**-**	**42**	**-**	**1 x Satisfactory**	**-**	**-**	**1**	**10**	**4**	**1H, 7M, 5L**	
Public Health											
BD001 Public Health	-	46	Satisfactory	Satisfactory	⟺	-	1	3	2	1M	
➢ BD001 Community Testing	-	-	N/A	Satisfactory	⟺	-	1	3	-	-	
Total	**-**	**46**	**-**	**2 x Satisfactory**	**-**	**-**	**2**	**6**	**2**	**1M**	
Information Security and Follow Up Reviews											
Information Security and Follow Up Reviews	1	40	N/A	2 x Satisfactory 1 x Limited 2 x Letter	⟺	-	1	14	5	-	Deputyship Case Management System (Report). Outbreak Management Solution (Letter) Derbyshire Shared Care Record (Report) Review of compliance with the DWP Data Sharing Agreement. Mosaic System (Letter)
Total	**1**	**40**	-	**2 x Satisfactory 1 x Limited 2 x Letter**	**-**	**-**	**1**	**14**	**5**	**-**	
External Grants and Certifications											
External Grants and Certifications	-	28	-	-	-	-	-	-	-	-	
Total	**-**	**28**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Social Care – Elderly Residential											
Elderly Residential	-	38	5 x Satisfactory	1 x Substantial 4 x Satisfactory	⟺	-	6	17	23	5H, 6M, 7L	
Total	**-**	**38**	**-**	**1 x Substantial 4 x Satisfactory**	**-**	**-**	**6**	**17**	**23**	**5H, 6M, 7L**	
Social Care - Day Care - Physical/Mental Disability											
Day Care - Physical/Mental Disability	-	6	1 x Limited	1 x Satisfactory	↑	-	2	3	2	2H, 4M	
Total	**-**	**6**	**-**	**1 x Satisfactory**	**-**	**-**	**2**	**3**	**2**	**2H, 4M**	

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Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
	21-22	22-23				Critical	High	Medium	Low		
Social Care - Day Care & Hostels											
Day Care & Hostels	-	3	1 x Satisfactory	1 x Satisfactory	⟺	-	3	1	4	-	
Total	**-**	**3**	**-**	**1 x Satisfactory**	**-**	**-**	**3**	**1**	**4**	**-**	
Social Care - Community Care Centres											
Community Care Centres	-	24	3 x Satisfactory	3 x Satisfactory	⟺	-	6	16	9	**8H, 6M, 1L**	
Total	**-**	**24**	**-**	**3 x Satisfactory**	**-**	**-**	**6**	**16**	**9**	**8H, 6M, 1L**	
Themed and Operational											
BO008 Private Residential Care	-	-	-	-	-	-	-	-	-	-	
BO010 Review of Commissioning Arrangements	-	25	Substantial	Satisfactory	⬇	-	-	4	-	-	
BO012 Deputyship	-	21	Satisfactory	Substantial	⬆	-	1	3	1	2H, 2M	
BO017 Disabled Facilities Grants Administration	-	29	Satisfactory	Satisfactory	⟺	-	3	5	2	6H	
BO022 Direct Payments	-	26	-	-	-	-	-	-	-	-	
➢ BO026 Review of Quality Assurance Framework	-	-	N/A	Satisfactory	⟺	-	-	9	2	-	Report relates to 2021/22 Audit
BO028 Safeguarding of Adults	10	-	N/A	Substantial	⟺	-	-	3	1	-	Report relates to 2021/22 Audit
BO030 Social Worker Arrangements	6	-	N/A	Satisfactory	⟺	-	2	3	-	-	Report relates to 2021/22 Audit
BO031 Financial Assessments	-	63	N/A	Satisfactory	⟺	-	3	8	1	-	
BO032 Better Lives	-	13	-	-	-	-	-	-	-	-	
Total	**16**	**177**	**-**	**2 x Substantial 5 x Satisfactory**	**-**	**-**	**9**	**35**	**7**	**8H, 2M**	
Departmental Total	**17**	**404**	**-**	**3 x Substantial 19 x Satisfactory 1 x Limited 2 x Letter**	**-**	**-**	**30**	**102**	**56**	**24H, 26M, 13L**	

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Name	Actual Days		Previous Assurance	Current Assurance	Direction of Travel	Analysis of Recommendations				Previous Recs Not Implemented	Comments
	21-22	22-23				Critical	High	Medium	Low		
Place Department – The 2022-23 Audit Plan included an allocation of 230 days over the following areas											
Departmental Management & Administration Review											
HA100 Place – Departmental Review	1	26	Satisfactory	Substantial	↑	-	-	5	1	1M	Report relates to 2021/22 Audit
HA101 Place – General Support	-	15	N/A	1 x Letter	N/A	-	-	-	-	-	Civil Parking Enforcement
Total	**1**	**41**	**-**	**1 x Substantial 1 x Letter**	**-**	**-**	**-**	**5**	**1**	**1M**	
Information Security and Follow Up Reviews											
HA103 Information Security and Follow Up Reviews	-	12	N/A	2 x Satisfactory	⟺	-	1	8	1	N/A	Confirm Single Asset Management IT System & Flexiroute
Total	**-**	**12**	**-**	**2 x Satisfactory**		**-**	**1**	**8**	**1**	**N/A**	
External Grants and Certifications											
External Grants and Certifications	3	58	N/A	Limited	⟺	-	3	2	-	-	Covid Bus Grant
Total	**3**	**58**	**-**	**1 x Limited**	**-**	**-**	**3**	**2**	**-**	**-**	
Themed and Operational											
HO004 Highways Management	-	-	-	-	-	-	-	-	-	-	
HO016 Countryside Management	-	10	-	-	-	-	-	-	-	-	
HO021 Public Transport & Taxi Contracts	-	10	-	-	-	-	-	-	-	-	
HO024 Regeneration	-	2	-	-	-	-	-	-	-	-	
➢ HO025 Fleet Services	1	-	N/A	Satisfactory	⟺	-	2	4	2	N/A	Report relates to 2021/22 Audit
HO030 Inspection and Control of Highway Assets	-	-	-	-	-	-	-	-	-	-	
HO035 Public Library Service	-	-	-	-	-	-	-	-	-	-	
HO036 Capital Programme (Highways)	-	36	N/A	Limited	⟺	-	4	2	2	N/A	
Total	**1**	**58**	**-**	**1 x Satisfactory 1 x Limited**	**-**	**-**	**6**	**6**	**4**	**N/A**	
Departmental Total	**5**	**169**	**-**	**1 x Substantial 3 x Satisfactory 2 x Limited 1 x Letter**	**-**	**-**	**10**	**21**	**6**	**1M**	

Audit Opinions are categorized based upon the assurance that Management may draw on the adequacy and effectiveness of the overall control framework in operation as follows:

Level of Assurance		Explanation and significance
Substantial Assurance		Whilst there is a sound system of governance, risk management and control minor weaknesses have been identified which include non-compliance with some control processes. No significant risks to the achievement of system/audit area objectives have been detected.
Satisfactory Assurance		Whilst there is basically a sound system of governance, risk management and control some high priority recommendations have been made to address potentially significant or serious weaknesses and/or evidence of a level of non-compliance with some controls or scope for improvement identified, which may put achievement of system/audit area objectives at risk. Should these weaknesses remain unaddressed they may expose the Council to reputational risk or significant control failure.
Limited Assurance		Significant weaknesses and/or non-compliance have been identified in key areas of the governance, risk management and control system which expose the system/audit area objectives to a high risk of failure, the Council to significant reputational risk and require improvement.
No Assurance		Control has been judged to be inadequate as systems weaknesses, gaps and non-compliance have been identified in numerous key areas. This renders the overall system of governance, risk management and control inadequate to effectively achieve the system/audit area objectives which are open to a significant risk of error, loss, misappropriation or abuse. Immediate remedial action is required.

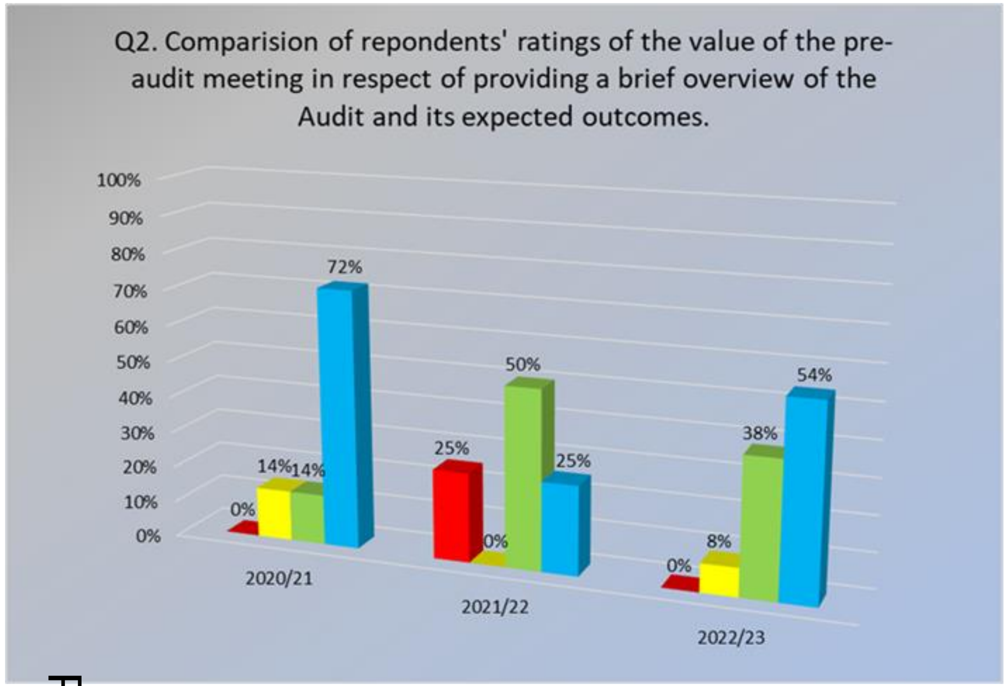
Audit Recommendations are prioritized depending upon the level of associated risk and impact upon the management control framework as follows:

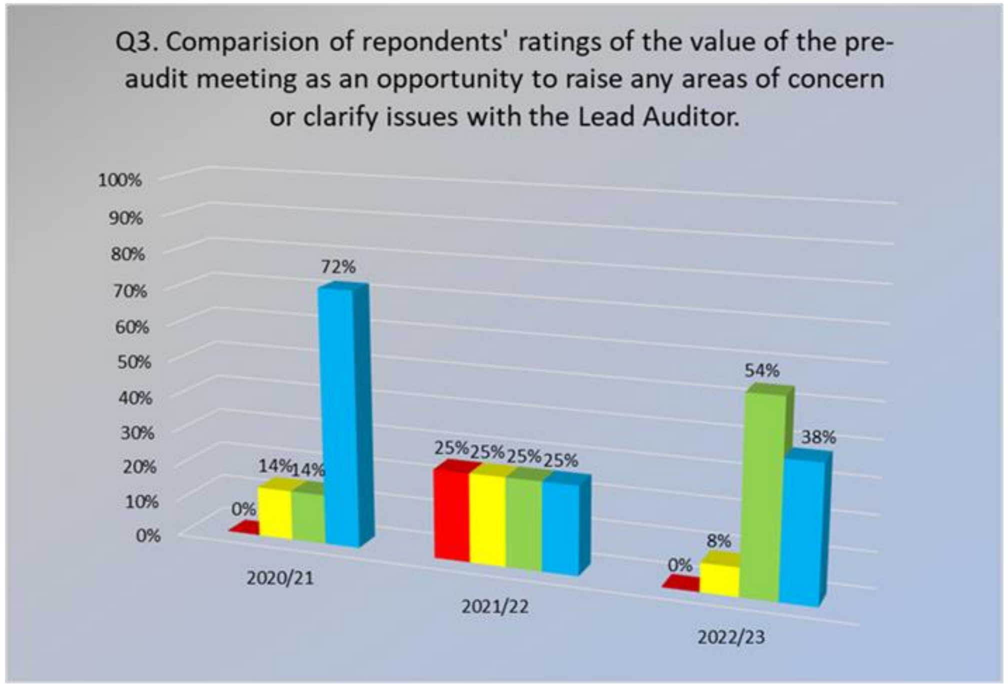
Level	Category	Explanation and significance
1	**Critical**	Significant strategic, financial or reputational risks where immediate remedial action is considered essential.
2	**High**	The absence of, significant weakness in, or inadequate internal controls over the operation of key systems or processes which compromise the integrity/probity of the client's operations. These would result in a potential significant increase in the level of risk exposure which may be financial, reputational or take the form of an increased risk of litigation.
3	**Medium**	Findings which identify poor working practices or non-compliance with established systems or procedures which result in increased risk of loss/inefficient operation and which expose the client to an increased level of risk.
4	**Low**	General housekeeping issues which require consideration and a planned implementation date within the medium term.

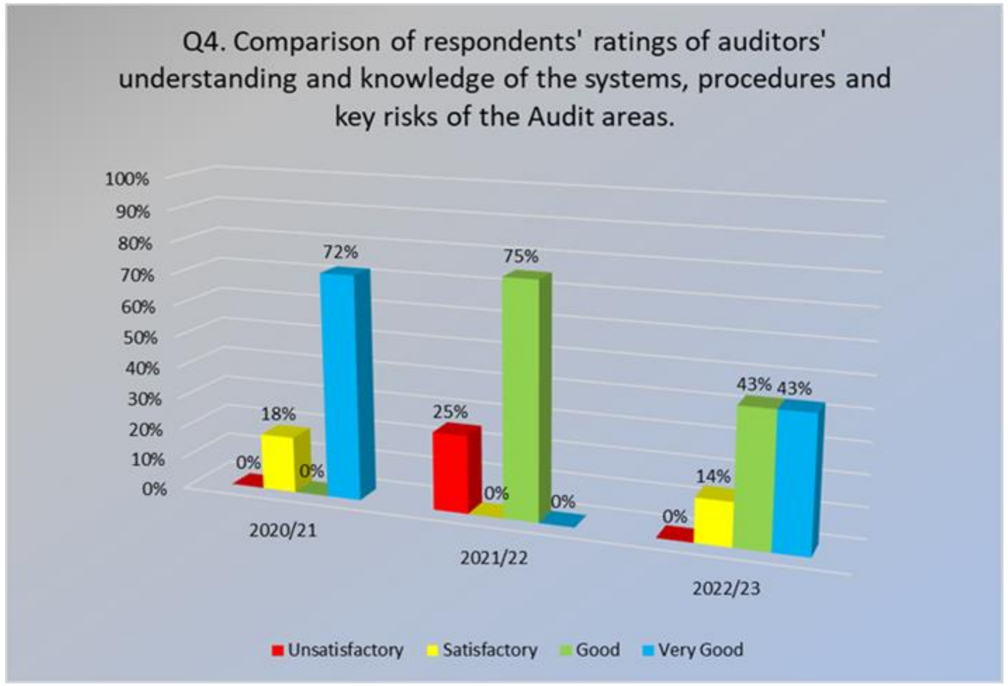
Appendix 2 - Performance Indicators 2022-23

Indicator	Target	2020-21	2021-22	2022-23	Comments
Audit Plan – Achievement of planned Audit days	**95%**	**87%**	**89%**	**95%**	This includes 219 days relating to 2021/22 audit work.
Completion of Audit staff MyPlan reviews and training identified	**100%**	**100%**	**100%**	**100%**	
Undertake a risk based Annual Audit Plan formulation exercise	**N/A**	✓	✓	✓	
Undertake quality assurance reviews of Audits (1 for each Principal Auditor per year)	**100%**	**100%**	**0%**	**100%**	
Limited Audit Opinions reviewed by Assistant Director of Finance (Audit) within 10 days of completion of Draft Report	**100%**	**57%**	**100%**	**40%**	
Percentage of Draft Audit Reports issued within 15 working days of fieldwork completion	**95%**	**49%**	**25%**	**47%**	
Percentage of Final Audit Reports issued within 28 working days of issue of Draft Audit Report	**95%**	**47%**	**67%**	**70%**	
Percentage of recommendations made which are implemented at the time of follow up Audit	**90%**	**71%**	**66%**	**73%**	
Audit Assurance – To provide an assurance to the Authority on the adequacy and effectiveness of risk management, control and governance processes	**N/A**	✓	✓	✓	
Client Satisfaction – Percentage of questionnaire responses rating the Audit as good or very good	**90%**	**87.50%**	**10%**	**100%**	15 questionnaires returned
Annual Survey of Key Stakeholders	**N/A**	✓	✓	✓	Completed as part of the Annual Report for 2022-23 (July 2023)
Delivery of Audit Opinion to Management and Audit Committee in time to inform AGS	**N/A**	✓	✓	✓	

Appendix 3 - Satisfaction Questionnaires 2022-23







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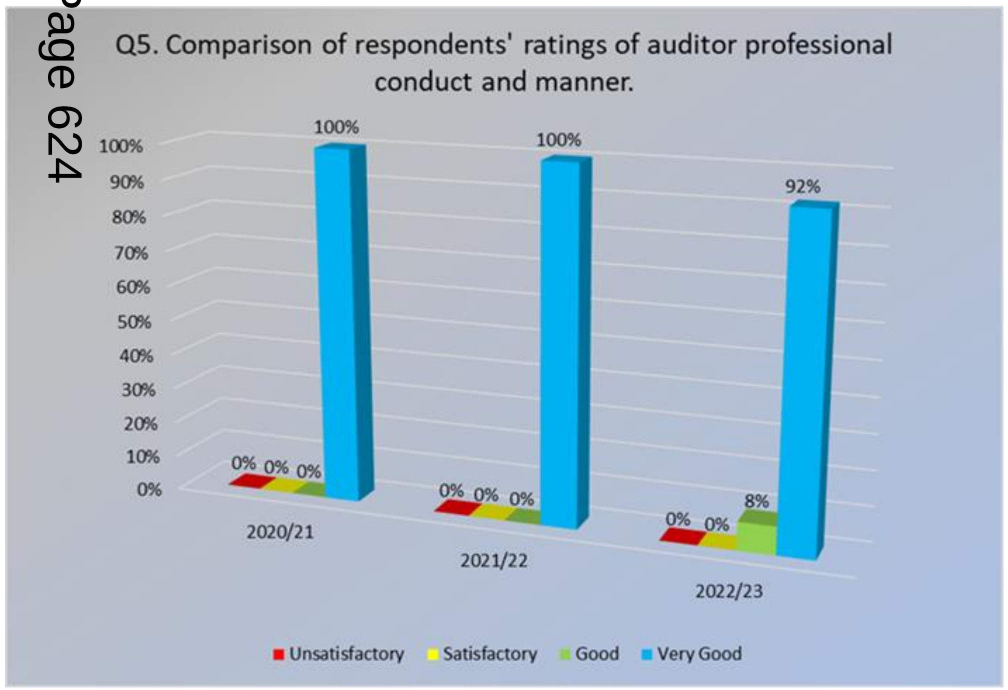
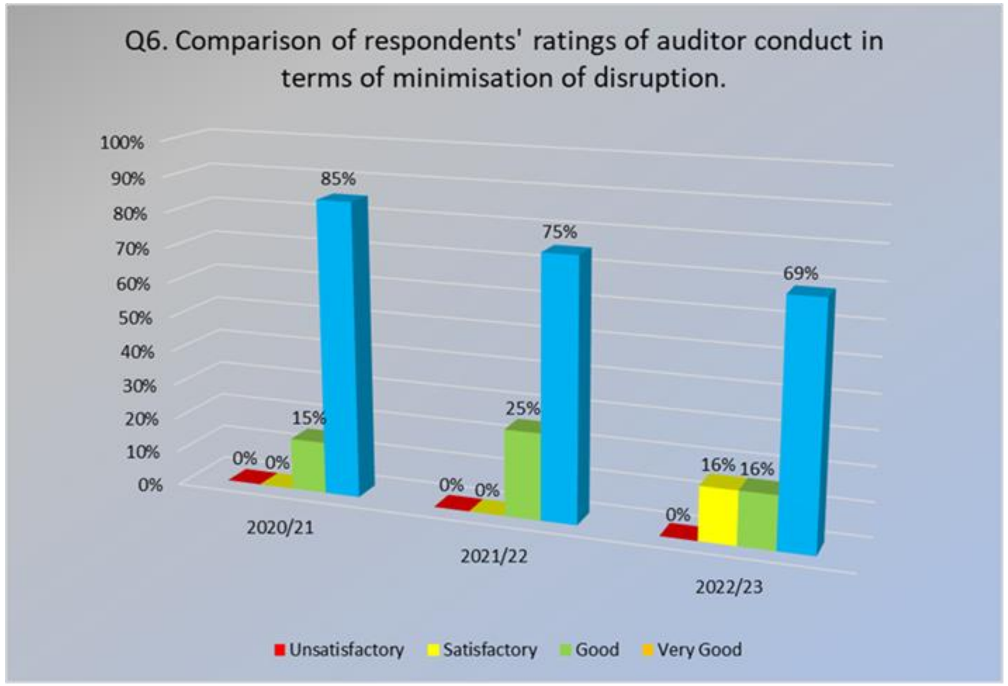
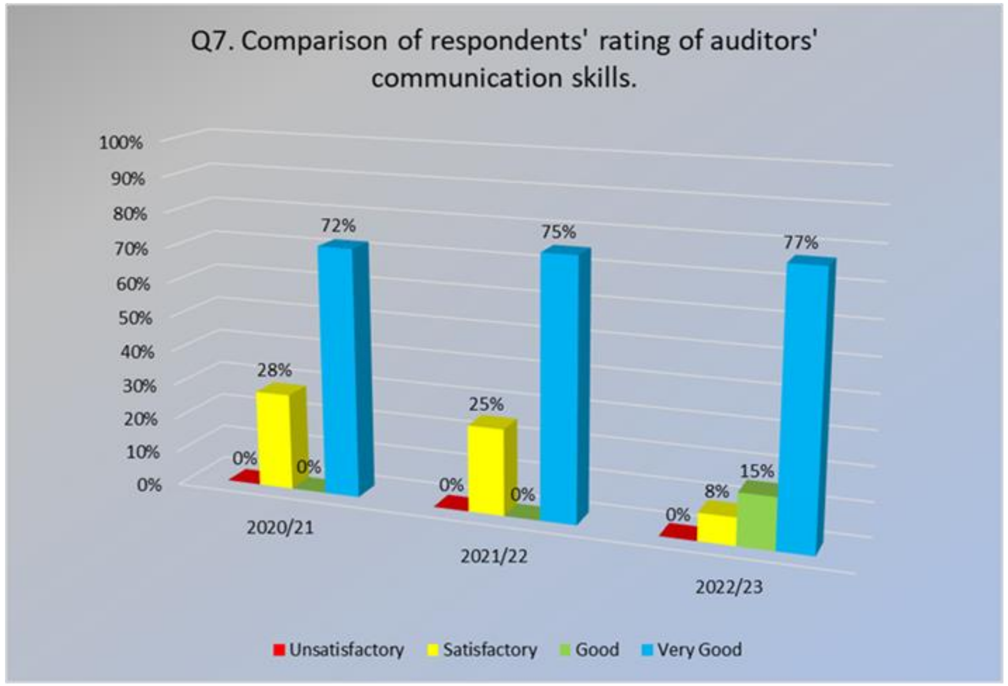
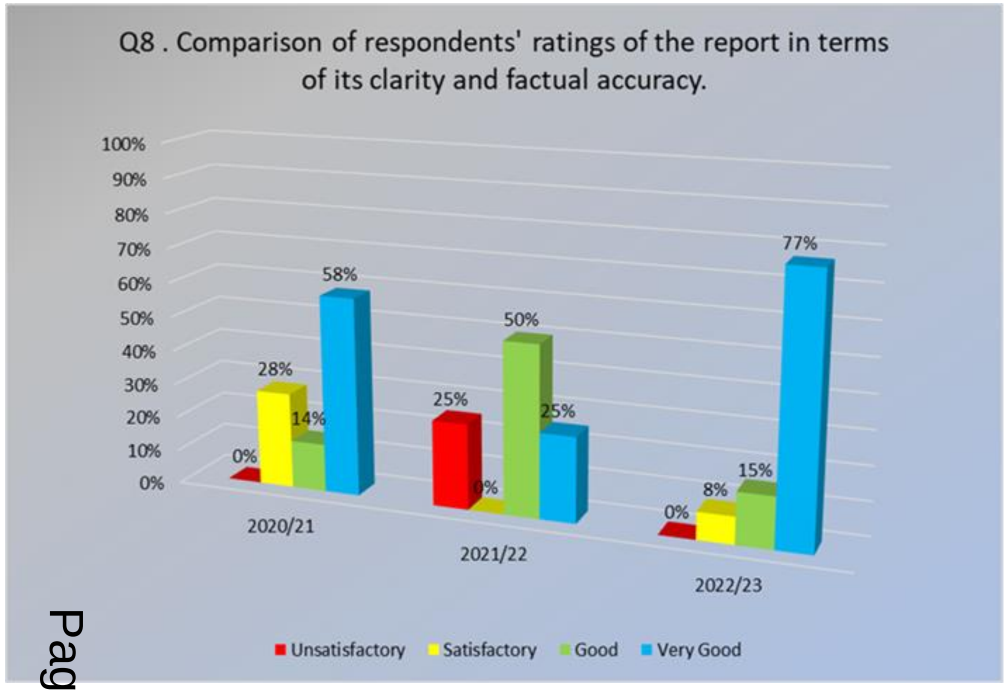
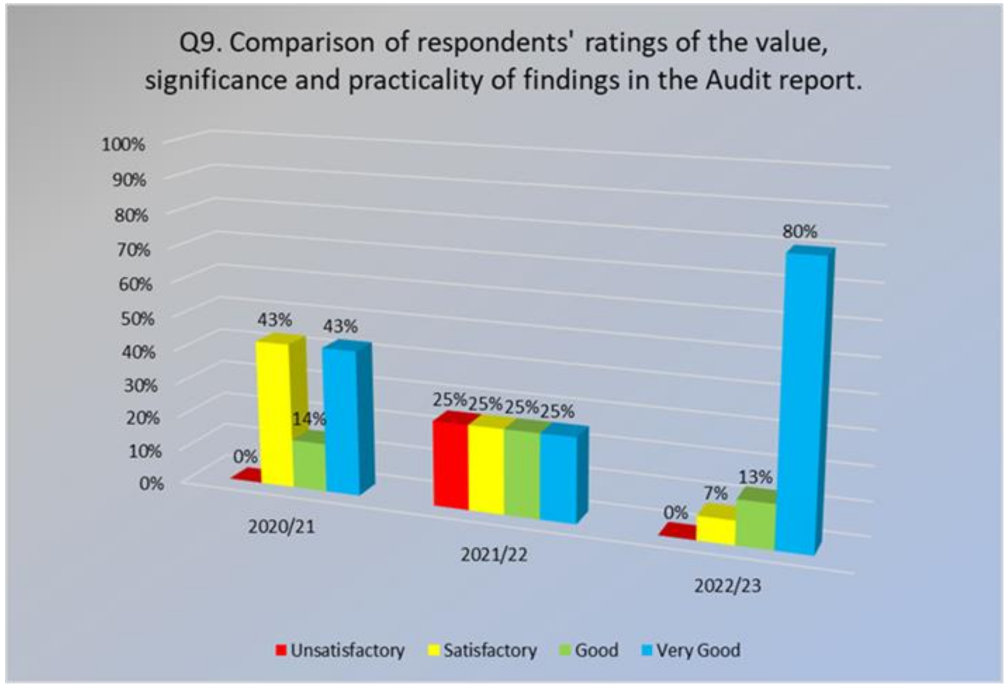


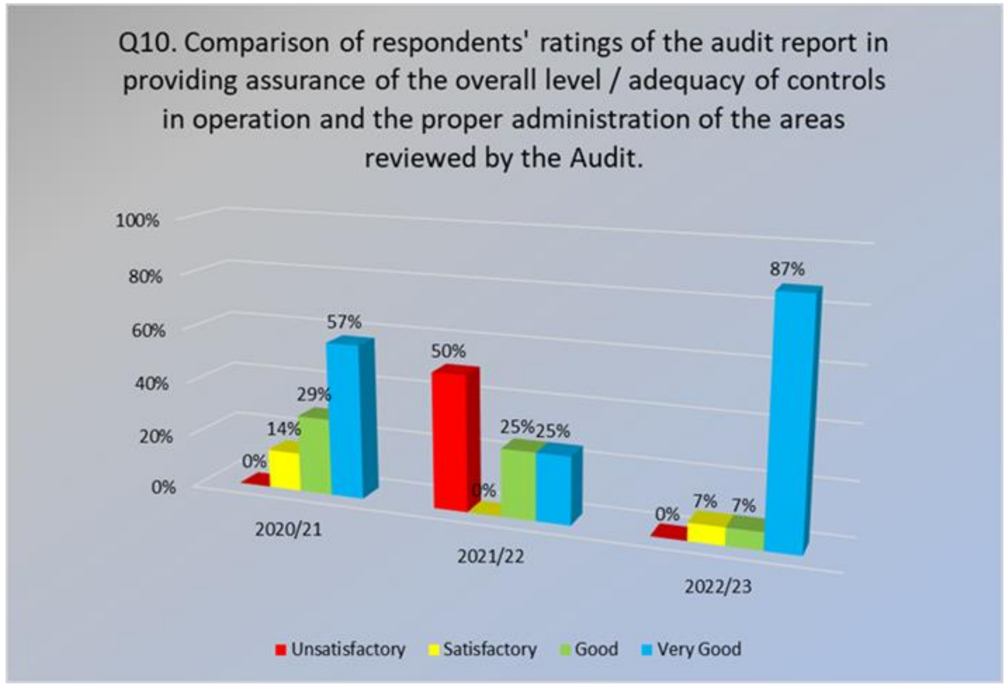




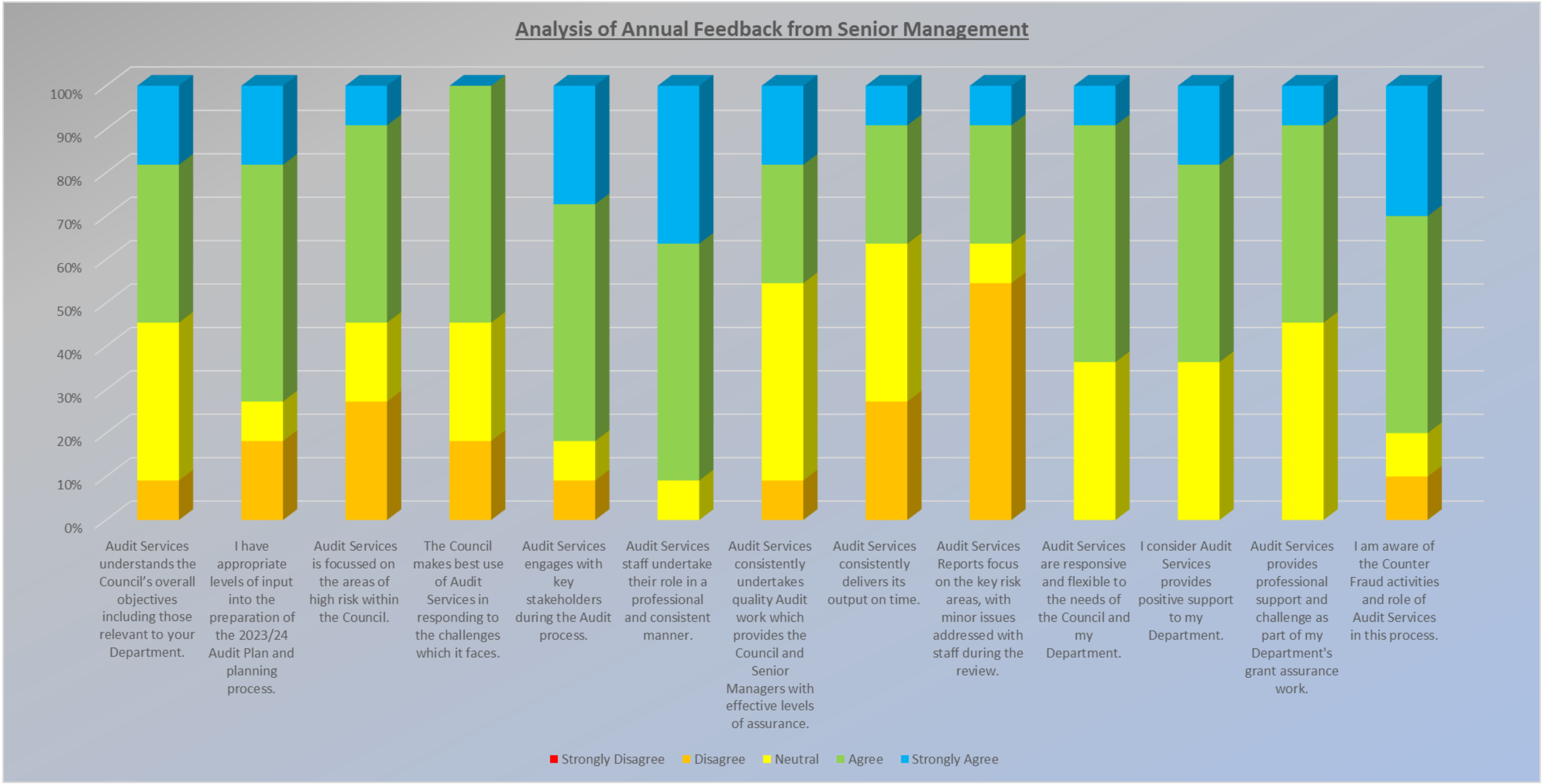
Appendix 3 - Satisfaction Questionnaires 2022-23







Appendix 3 - Satisfaction Questionnaires 2022-23



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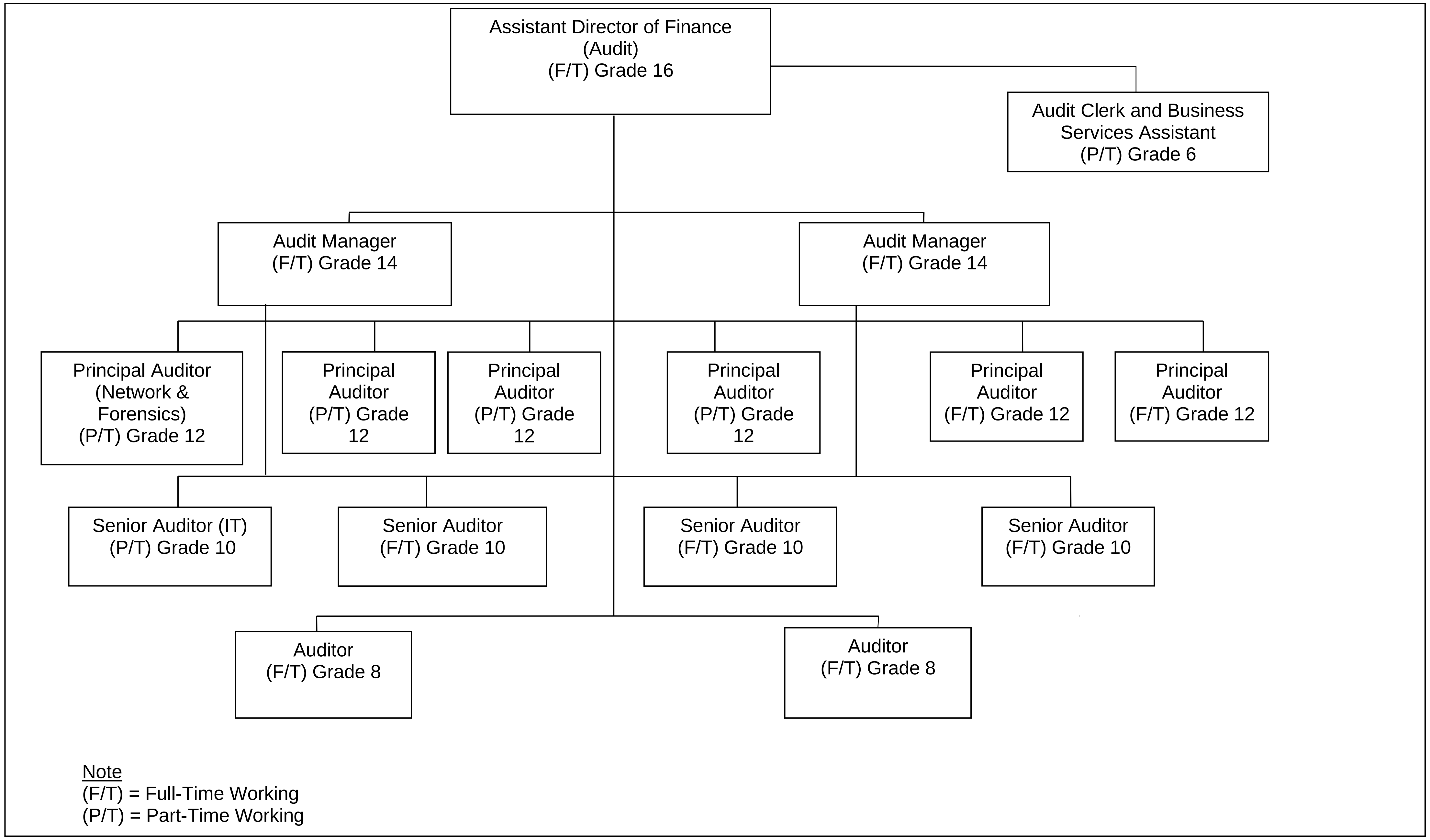
Appendix 4 – Audit Services Structure



Appendix 5 – Progress on Actions to Improve Conformity with the PSIAS

Self-assessment – internal document page reference	Area of partial conformance	Comments and actions required	Progress made during 2022-23
4	Using evidence gained from assessing conformance with other Standards, does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?	The previous two External Quality Assessments (EQAs) flagged need for more risk based approach, assurance mapping & better use of third party assurance work. Recent changes: • Work for better risk alignment commenced in 2022-23 – with Risk Presentation to Audit Services May 2022, for greater risk awareness by Auditors. • Audit Report template revised – to include section of implications & enhanced risk assessment. • Assurance Mapping (Started in 22-23, but still work in progress).	Good progress has been made to address the Audit approach. • Increased liaison with Risk Management during the preparation for audits. • Audit Report template has been updated and has been embedded. • An Assurance Mapping exercise was completed. Further work is needed in 2023-24 to maintain and update this.
11	Does the chief audit executive (CAE) periodically review the internal audit charter and present it to senior management and the board for approval?	The current Audit Charter was approved on 24 September 2019 by the Council's Audit Committee, having been previously approved on 26 September 2018. The Audit Charter requires an update due to the transfer of the Risk Management and Insurance functions under the line management of the CAE in July 2021, and new Assistant Director of Finance (Audit) (Dianne Downs) from September 2021.	The Audit Charter was updated and approved by Audit Committee on 20 September 2022. It does not however refer to the line management responsibilities of the Assistant Director of Finance (Audit) for Risk Management and Insurance.
16	Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE? / Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?	PDRs currently undertaken by the Director of Finance & ICT - aligned to delivery of Internal Audit performance targets are built into Divisional Plans for CST. Formal feedback from Managing Director and the Chair of the Audit Committee are not currently part of the performance appraisal of the CAE. This is an area for future discussion with the Chairman of Audit Committee, Managing Director and Director of Finance & ICT.	This remains the same and requires consideration by the new Assistant Director of Finance (Audit).
17 & 18	Where the chief audit executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, are safeguards in place to limit impairments to independence or objectivity? If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these	Audit Services is independent of the Council's operations, with the exception of Risk Management and Insurance. These functions were brought under the leadership of the Assistant Director of Finance (Audit) from July 2021 following the Finance Services restructure. The CAE does not have other roles or responsibilities that fall outside of internal auditing and risk management. The Audit Charter will require revision in 2022 and revised operational provisions implemented, due to the transfer of the Risk Management and Insurance under the line management of the CAE.	The Audit Charter was updated and approved by Audit Committee on 20 September 2022. It does not however refer to the line management responsibilities of the Assistant Director of Finance (Audit) for Risk Management and Insurance. An independent review of the effectiveness of the Risk Management and Insurance arrangements at the Council needs to be undertaken.

Self-assessment – internal document page reference	Area of partial conformance	Comments and actions required	Progress made during 2022-23
	engagements been overseen by someone outside of the internal audit activity?	Management are aware that separate independent review will be required to assess effectiveness of Risk Management and Insurance arrangements at the Council.	
21	If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?	EQA 2019: Concluded "… *although Internal Audit is well-regarded and valued, it undersells its ability to proactively support, provide advice and guidance to further enhance its reputation, improve controls and reduce risk on major projects and other initiatives*." CIPFA untapped potential report which was published June 2022 – indicates this as a common theme and area for improvement throughout public sector internal audit. This CIPFA report is due to be considered at the next Corporate Governance Group.	The Governance Group did not meet until October 2022 and this has not been included as an agenda item at any subsequent meetings. This will be undertaken in 2023-24.
21	Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?	During 2020-21 and 2021-22, Audit Services were unable to deliver full Audit Plans due to the pandemic. The Audit Committee were provided with regular updates through progress and annual reports, so they could understand where there may be gaps in assurance. The Annual Plan for 2022-23 was delivered as a statement of intent to the Audit Committee, with recognition that risks evolve and unforeseen work may be required. The plan was designed to provide coverage to fill assurance gaps identified during the pandemic. Regular liaison meetings with the Chairman of the Audit Committee and with CMT, allows the CAE to provide regular updates from Audit Services. Progress reports are delivered to Audit Committee: these set out any significant changes to the proposed plan.	Where there are additional activities which are not included in the audit plan, these are discussed with the relevant Executive Director. Progress reports continue to be presented to Audit Committee which set out any significant changes to the proposed plan.
27, 29 & 30	Does the CAE periodically assess individual auditors against the predetermined skills and competencies? Does the QAIP include both internal and external assessments? Do internal assessments include ongoing monitoring of the internal audit activity, such as: a) Routine quality monitoring processes?	Training is identified as part of the MyPlan process and courses are circulated periodically through Learning & Development. The Audit Manual makes provision for routine supervision and review of all audits as part of internal quality arrangements. Quality and Improvement Programme (QAIP) arrangements include further provision for periodic reviews of Performance Indicators (PIs) by Assistant Director of Finance (Audit). No issues identified in EQA 2019, but PIs include a requirement for Audit Management to undertake quality assurance reviews of Audits; with a minimum of one quality review for each Principal Auditor, per year. During 2021-22 there were notable gaps at Principal Audit or level – through sickness, vacancies and maternity leave and the Assistant	Training continues to be identified through the Council's PDR process. Audit Management have undertaken quality assurance reviews of Audits; with a minimum of one quality review for each Principal Auditor, per year. Sickness levels have reduced across the Unit. Resources were impacted with staff resignations including the Assistant Director of Finance (Audit) post becoming vacant in March 2023.

Self-assessment – internal document page reference	Area of partial conformance	Comments and actions required	Progress made during 2022-23
	b) Periodic assessments for evaluating conformance with the PSIAS?	Director of Finance (Audit) post was also vacant for the first five months of the year. These staffing pressures meant that whilst all audit reports were reviewed by Audit Managers prior to issue, there was not always a final sign off at CAE level. Resource pressures also meant that separate quality reviews lapsed during 2022-23. Resource pressures were reported to Audit Committee through progress reports. Following the appointment of the new Assistant Director of Finance (Audit) in September 2021, a successful recruitment exercise has taken place at Principal level, with two staff starting late 2021-22. A further Principal Auditor is due to return from maternity leave during 2022-23. To add to QAIP Action Plan: to ensure regular QA reviews are scheduled by Audit management to ensure consistency and conformance with standards.	
42, 51 & 52	In developing the risk-based plan, has the CAE taken into account the organisation's risk management framework and relative risk maturity of the organisation? Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources? Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance? Where key organizational risks relate to work undertaken through partnerships, does the auditor consider or take assurance from work undertaken by others, or by obtaining assurance directly.	The planning process for the Annual Audit Plan has historically included review of risks, but further work was needed to identify wider assurances and confirm risks had been captured in risk registers. The 2019 EQA identified a need for better assurance mapping. An Assurance Mapping exercise started in 2022-23. This will feed into the future Audit Planning Process. As part of the Assurance Mapping exercise, internal audit have reviewed risk registers and liaised with the Risk Management team so that they can assess risk responses across the organisation.	The 2023-24 Audit Plan was formulated using information contained in the Council's strategic and departmental risk registers as well as the assurance mapping exercise. Although the assurance map has been developed, work is ongoing to update this periodically and ensure that it is embedded into the planning process.

Self-assessment – internal document page reference	Area of partial conformance	Comments and actions required	Progress made during 2022-23
59	Has the internal audit activity evaluated the potential for fraud and also how the organization itself manages fraud risk? CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption should be used as the basis for assessment of how an authority manages its fraud risk.	Audit Committee Members received a fraud awareness presentation ahead of the 01 February 2022 Audit Committee meeting. A further report setting out findings from a self-evaluation of Counter Fraud arrangements at the Council, was presented to Audit Committee at the 22 March 2022 Audit Committee meeting. The exercise had been completed to map arrangements against best practice in CIPFA Code and the Fighting Fraud and Corruption Locally (FFCL) National Strategy. This exercise flagged a number of areas where fraud risk management could be further strengthened. These will be built into the QAIP Action Plan.	Following the review of the Council's Counter Fraud arrangements against the best practice in CIPFA Code and the Fighting Fraud and Corruption Locally (FFCL) National Strategy, work has been undertaken to strengthen fraud risk management. The Anti-Fraud and Anti-Corruption Strategy has been updated and fraud awareness training has been promoted across the Council.
80 & 81	Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information? Does the communication identify the following: … the consideration of all related projects including the reliance on other assurance providers?	Assurance Mapping exercise in progress - will enable Audit Opinion to take into account wider assurance pieces across the Council. To reflect in Annual Reporting 2022-23 onwards with implementation from July 2023.	An Assurance Mapping exercise was completed, which helps inform the Audit Opinion. Further work is needed in 2023-24 to maintain and update this.

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FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

18 July 2023

Report of the Audit Managers

Anti-Fraud and Anti-Corruption Strategy

1. Purpose

1.1 To advise Audit Committee of the latest review and seek approval for updates to the Council's Anti-Fraud and Anti-Corruption Strategy.

2. Information and Analysis

2.1 The Council maintains a range of policy and procedural documents which outline its approach to creating an anti-fraud and anti-corruption culture. These support the identification, investigation and reporting of potential fraud and corruption across the Council's activities. Key within this process, is the Anti-Fraud and Anti-Corruption Strategy and Fraud Response Plan.

2.2 The Anti-Fraud and Anti-Corruption Strategy outlines the Council's approach to the prevention and detection of fraud and corruption, and stance against fraud and corruption in all its forms. It provides a clear set of standards and guidance for all employees, elected members, contractors and residents.

2.3 The Fraud Response Plan provides direction for employees, elected members, contractors, and residents on how they can report a suspected fraud and details how such reports will be investigated.

2.4 These documents were initially created in 2015 and were subsequently updated in 2018. A full review has now been undertaken to ensure that they accurately reflect the Council's current arrangements and introduce new performance measures by which counter fraud activities can be measured. The updating of these documents was highlighted as an action within the Council's Self-Assessment against the 'Fighting Fraud and Corruption Locally – a strategy for the 2020s' Checklist as reported to this Committee on 22 March 2022.

2.5 As part of the review, the Fraud Response Plan has now been incorporated into the Anti-Fraud and Anti-Corruption Strategy (at Appendix A). This consolidated document will provide stakeholders with guidance on the Council's counter fraud culture, key controls designed to prevent and detect fraud and corruption and information on how allegations of fraud will be administered and investigated.

3. Consultation

3.1 No consultation is required.

4. Alternative Options Considered

4.1 N/A – not reviewing and updating the Anti-Fraud and Anti-Corruption Strategy would be contra to the Council's Financial Regulations, which require appropriate fraud arrangements are in place. The revised Strategy also supports Council's duty to make arrangements for the proper administration of its financial affairs under Section 151 of the Local Government Act 1972.

5. Implications

5.1 Appendix 1 sets out the relevant implications considered in the preparation of the report.

6. Background Papers

6.1 Electronic files and Audit working papers are held by Audit Services, Finance & ICT Services, County Hall.

7. Appendices

7.1 Appendix 1 – Implications.

7.2 Appendix 2 – Anti-Fraud and Anti-Corruption Strategy.

8. Recommendation

8.1 Notes that a review of the Anti-Fraud and Anti-Corruption Strategy has taken place and approves the amended Policy at Appendix 2 to this report.

9. Reasons for Recommendation(s)

9.1 The requirement to ensure that appropriate anti-fraud and anti-corruption arrangements are in place is contained within the Council's Financial Regulations.

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Appendix 1

<u>Implications</u>

Financial

1.1 The creation of a robust anti-fraud and anti-corruption culture will minimise the risk of fraud occurring and as such, will reduce losses incurred by the Council due to fraud or corruption. The Council will therefore ensure that Council resources are used appropriately and for the benefit of residents.

1.2 By reducing monies lost to fraud and corruption, the Council will ensure that resources are used appropriately and for the benefit of residents.

Legal

2.1 Section 151 of the Local Government Act 1972 places a duty on the Council to make arrangements for the proper administration of its financial affairs.

2.2 Part 2, Regulation 4 of the Accounts and Audit Regulations 2015 requires local authorities to implement measures to enable the prevention and the detection of inaccuracies and fraud.

Human Resources

3.1 None.

Information Technology

4.1 None.

Equalities Impact

5.1 None.

Corporate objectives and priorities for change

6.1 The Council is committed to ensuring good financial management and compliance with applicable laws and regulations.

Other Considerations

7.1 Alignment with the Council's Whistleblowing Policy that provides details as to how an individual can report a suspected instance of fraud and corruption, and their statutory protections in line with the Public Interest Disclosure Act 1998.

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Anti-Fraud and Anti-Corruption Strategy

Version History			
Version	**Date**	**Detail**	**Author**
1.0	September 2015	Revision of Strategy	Carl Hardman
2.0	September 2018	Update of Strategy	Carl Hardman
3.0	July 2023	Update of Strategy to: • Simplify the guidance to make it more accessible to stakeholders. • Summarise key roles and responsibilities at section 2. • Make reference to 'Fighting Fraud and Corruption Locally – A Strategy for the 2020s' and the Enterprise Counter Fraud Approach at section 3. • Include Performance Indicator targets at section 3 to allow delivery of the Strategy to be measured and monitored. • Incorporate the Fraud Response Plan (at Appendix A).	Philip Spencer

Foreword from the Leader of the Council and Managing Director

Within the Council Plan, we have made a commitment to spend money wisely, make the best use of the resources that we have and to be honest and accountable in the way that we operate. This means doing all we can to safeguard public funds and establish a robust counter fraud culture which promotes and values the prevention and detection of fraud and corruption. This will ensure that council resources are used to deliver high quality public services and to make Derbyshire a great place to live, work and visit.

This strategy details the council's approach to the prevention and detection of fraud and corruption, the key aspects of our current counter fraud culture and the actions that we need to take in the coming years to further strengthen our arrangements. It reflects the council's zero tolerance to fraud and corruption in all its forms and provides a standard with which the council's employees, elected members, contractors and residents must comply.

This strategy sits within the council's wider governance framework which includes the Financial Regulations, Standing Orders Relating to Contracts, Codes of Conduct for Employees and Members, Anti-Money Laundering Policy and Whistleblowing Policy. This framework provides a robust and coordinated counter fraud environment designed to protect public funds.

Councillor Barry Lewis
Leader of Derbyshire County Council

Emma Alexander
Managing Director

1. Introduction

The council takes its responsibilities for the stewardship of public funds very seriously. As part of this commitment, it seeks to maintain an effective counter fraud culture to prevent and detect fraud and corruption.

This strategy details the risk of fraud within local government, the key controls that the council has put in place to address this risk and the responsibilities of members, officers and employees in relation to fraud. As such, it sits alongside the:

- **Whistleblowing Policy** - which details how potential frauds should be reported.
- **Fraud Response Plan (Appendix A)** - which details how allegations of fraud are investigated.
- **Anti-Money Laundering Policy** - which provides specific guidance on the Council's safeguards and reporting arrangements in relation to suspected money laundering.

What is 'fraud' and 'corruption'?

The Fraud Act 2006 defines **fraud** as an intention to make a gain or cause a loss due to false representation, failing to disclose information or abuse of position.

Corruption is defined as the offering, giving, soliciting or acceptance of an inducement or reward, or showing any favour or disfavour which may influence any person to act improperly.

A counter fraud culture is one which promotes and values the prevention and detection of fraud and corruption.

The fraud challenge

Whilst the true cost of local government fraud is not known, in 2017, the Annual Fraud Indicator[1] estimated this to be £7.3bn per year. Every £1 lost to fraud and corruption is £1 less that the council has available to provide services to Derbyshire residents.

The council has therefore sought to establish an effective counter fraud culture which seeks to minimise the risk of fraud and corruption taking place and identify any instances that do. This is made more difficult by the ever-changing nature and complexity of frauds, with fraudsters seeking to capitalise on new technologies (including increased use of on-line banking and authentication methods) and emerging risks (most notably the Covid-19 pandemic).

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[1] CIPFA, 'Fraud and corruption tracker – National Report 2020'; CIPFA Counter Fraud Centre.

'Fighting Fraud and Corruption Locally – A Strategy for the 2020s' states that:

'tackling the threat of fraud and corruption has been and continues to be a cornerstone of protecting council finances and enabling them to maximise the value of every pound spent on behalf of local residents'.

Frauds can take a variety of forms and be committed by a range of individuals and organisations. The following are some examples of frauds within local government:

Cyber Fraud – The use of technology to exploit weaknesses within an IT system for financial gain. Examples include ransomware/malware attacks, hacking or misuse of council systems.

Direct payments – An individual may claim direct payment funding to which they are not entitled by misrepresenting their care needs or understating their assets/income. In addition, a third party may misuse direct payment funding by using this for personal gain rather than for the benefit of the individual.

Insurance Fraud - Bogus claims made by serial claimants across authorities.

Grants – By claiming multiple grants for the same objective or use of grant monies for purposes for which they were not intended.

Recruitment – Submission of bogus qualification, reference, identification or right to work information by applicants to secure employment with the council.

2. Key roles and responsibilities

Whilst all stakeholders have a role in reducing the risk of fraud, elected members and senior management have a key role in establishing and enforcing a culture of high ethical standards and integrity.

Stakeholder	Specific Responsibilities
Managing Director	Create and enforce an effective counter fraud culture within the council.
Director of Finance & ICT	To establish systems and controls to ensure that council resources are used appropriately.
Assistant Director of Finance (Audit)	Establish and embed an appropriate fraud strategy and framework by ensuring sufficient staff resource is dedicated to counter fraud activities.
Monitoring Officer	To promote and maintain high standards of conduct throughout the council by developing and enforcing appropriate governance arrangements, including codes of conduct. Will also be consulted in the performance of audit investigations into suspected fraud or corruption.
The Audit Committee	Monitor the council's approach to tackling fraud and corruption and promote a counter fraud culture.
External Audit	Provides a view as to whether the council's financial statements are free from material misstatement, whether caused by fraud or error.
Internal Audit	Co-ordinate the fraud strategy and framework, including the measures in place to acknowledge, prevent and pursue fraud and corruption activity. This includes audit investigations, counter fraud activity and liaison with the Police for criminal matters.
Managing Director, Executive Directors and Group Managers	Manage the risk of fraud, corruption and bribery through the creation and operation of internal controls. Promote fraud awareness amongst employees and ensure that all suspected frauds are immediately referred to Internal Audit in line with the Fraud Response Plan (Appendix A).
Employees	Act as the first line of defence against fraud, corruption and bribery. They must comply with the council's policies and procedures and notify any suspected frauds to their line manager in accordance with the council's Whistleblowing Policy.

3. Strategy Statement

Enterprise Counter Fraud

This strategy is based on an Enterprise Counter Fraud (ECF) approach which seeks to establish and embed a robust counter fraud culture. This will help the council to deliver the Council Plan, spend its resources wisely and enhance employee and public confidence that the council operates with honesty, integrity and in the best interests of Derbyshire residents.

To enable the ECF approach to become embedded throughout the council's operations, this strategy has been structured around the five key principles included in 'Fighting Fraud and Corruption Locally – A Strategy for the 2020's':

- **Govern** – having the right governance arrangements to prevent fraud and corruption taking place and identifying any instances that do.
- **Acknowledge** – recognise, identify and address fraud risks.
- **Prevent** – minimise the risk of fraud occurring.
- **Pursue** – being stronger in punishing fraud and recovering losses.
- **Protect** – protecting public funds and those who are vulnerable.

An exercise has been undertaken to assess the council's arrangements against these five principles and to identify areas for development. These are detailed below and a summary of actions included at Appendix B.

Govern

The council has established a governance framework which provides employees, elected members and third parties with clear guidance on how tasks should be performed and their duty to act with honesty and integrity. This includes Financial Regulations, Standing Orders Relating to Contracts, Codes of Conduct for Employees and Members together with the Anti-Fraud and Anti-Corruption Strategy and Fraud Response Plan.

The strategy and plan have not been reviewed for several years and therefore, an exercise has recently been undertaken to bring these documents up to date with the Fraud Response Plan now incorporated into this strategy at Appendix A. This exercise will be refreshed annually in future years. In addition, a process will be established to risk assess fraud referrals received by Internal Audit with the outcomes used to inform the allocation of counter fraud resources.

Ref	Action	2023-24	2024-25	2025-26
A1	Review the Anti-Fraud and Anti-Corruption Strategy.	✓	✓	✓
A2	Devise a risk assessment methodology for all fraud referrals.	✓		

Acknowledge

In order to create an effective counter fraud culture, the council must first recognise the risk and potential impact of fraudulent activity on its resources and its ability to deliver the Council Plan. In recent years, steps have been taken to heighten fraud awareness through attendance at fraud forums, the launch of on-line fraud awareness training and targeted fraud communications.

Further work is however required, to ensure that all staff are aware of the risk of fraud and their responsibilities in relation to its identification and reporting. In addition, the council could do more to identify, and work with, council colleagues and other organisations that are involved in the prevention and detection of fraud and corruption in Derbyshire. This will help to develop a coordinated and consistent counter fraud culture across the region.

Ref	Action	2023-24	2024-25	2025-26
A3	Refresh fraud awareness training for members and employees.	✓		
A4	Attend all Departmental Senior Management Teams annually to raise fraud awareness.	✓	✓	✓
A5	Work with the Director of Finance & ICT to make Fraud Awareness training mandatory for all corporate finance staff.	✓		
A6	Work with Executive Directors to extend mandatory Fraud Awareness Training within the department.		✓	✓
A7	Provide fraud awareness training to maintained schools.	✓	✓	✓
A8	Support the annual Fraud Awareness Week in November.	✓	✓	✓
A9	Establish and maintain working relationships with internal and external organisations involved in counter fraud activity across Derbyshire.	✓	✓	✓
A10	Develop a counter fraud presence on the Corporate Services and Transformation SharePoint site.	✓		

Prevent

Wherever possible, the council will seek to prevent fraud and corruption taking place. It has therefore established a number of working practices designed to reduce the risk of fraud occurring. These include a segregation of duties in the raising of orders, goods receipt and invoice approval, declaration of interests and checks on new starters. Internal Audit consider whether these working practices are being adhered to.

Historically, the council's counter fraud approach has been largely reactive in nature. The performance of more proactive work will help to ensure that fraud and corruption is identified and addressed at an earlier stage.

Ref	Action	2023-24	2024-25	2025-26
A11	Identify national datasets which could be used to proactively identify instances of fraud and corruption.	✓	✓	✓
A12	Embed counter fraud testing within all planned audit reviews.	✓	✓	✓

Pursue

Whilst the council will do all it can to prevent fraud occurring, it is recognised that fraud and corruption cannot be completely eradicated. Formal procedures have therefore been established which detail how suspected frauds should be reported (the Whistleblowing Policy) and investigated (Fraud Response Plan - Appendix A). Where fraud or corruption is proven, appropriate action will be taken, and consideration given to the wider publication of the case and its outcomes.

These arrangements will be further strengthened by ensuring that audit investigations are completed promptly and by the development of a Counter Fraud Communications Plan (to detail when frauds will be publicised, and to whom) and an Annual Fraud Report (to summarise counter fraud work performed and the delivery of this strategy).

Ref	Action	2023-24	2024-25	2025-26
A13	Develop a Counter Fraud Communications Plan.	✓		
A14	Complete all audit investigations within three months of referral unless extended by the Assistant Director of Finance (Audit).	✓	✓	✓
A15	Produce an Annual Fraud Report to support the Annual Audit Report.		✓	✓

Protect

By adopting the principles of govern, acknowledge, prevent and pursue, the council can protect itself from the risk of fraud and minimise the impact of fraud and corruption on the council's operations and resources.

In March 2022, a review of the council's counter fraud arrangements was performed against the 'Fighting Fraud and Corruption Locally' checklist. This identified a number of recommended areas for improvement with work ongoing to address these. These arrangements would be further strengthened by the development of a Fraud Risk Register to ensure that new and emerging fraud risks are identified and addressed. This will ensure that the council's counter fraud arrangements are fit for purpose, both now and in the future.

Ref	Action	2023-24	2024-25	2025-26
A16	Create a Fraud Risk Register.	✓		

Delivering the strategy

The delivery of this strategy and the actions within (as summarised at Appendix B) will be regularly reviewed and reported to the Audit Committee.

Updating the strategy

This strategy will be reviewed annually to ensure that it continues to reflect the council's key fraud risks and associated priority areas. The updated strategy will be presented to the Audit Committee and Cabinet for review and reapproval.

APPENDIX A – FRAUD RESPONSE PLAN

Reporting a suspected fraud

Employees:

If you suspect fraud may be taking place, you should:

- Document what you have seen, including the dates and times of any incidents you have witnessed.
- Notify your concerns to your line manager or, if this is not appropriate, to a Director or Executive Director in your department.
- Raise a security incident via Halo if your concerns relate to a potential data breach.

Your line manager will then escalate your concerns in line with this plan. You do not need to take any further action, although you may be asked to provide further information to Internal Audit and/or the Police at a later date.

The Whistleblowing Policy provides protection for council employees when making an allegation of fraud, including the right to raise concerns anonymously if you wish. Employees may however be subject to disciplinary action if it is found that concerns have been raised maliciously.

Line managers:

Upon receipt of an allegation of suspected fraud, line managers should:

- Gather as much information as possible regarding the allegation.
- Notify the Assistant Director of Finance (Audit) of the suspected fraud in line with the Financial Regulations.
- In conjunction with HR Services, consider whether the employee(s) to whom the allegation relates should be suspended or redeployed whilst the matter is investigated.

Elected members:

Allegations of fraudulent activity by an elected member should be raised directly with the Director of Legal and Democratic Services and the Assistant Director of Finance (Audit). The Director of Legal and Democratic Services, in conjunction with the Managing Director, will then decide if the matter should be reported to the relevant political group leader.

APPENDIX A – FRAUD RESPONSE PLAN

Investigation into allegations of fraud

Upon receiving an allegation of fraud, the Assistant Director of Finance (Audit) will agree with the relevant Executive Director how the allegation should be investigated and by whom. The following options are available:

Investigation By	Nature of alleged fraud	Outcome
Police	Criminal	To be determined by the Police but may involve criminal prosecution or a community order.
Internal Audit	Financial misconduct	• Investigation Report – provides a view as to whether the employee has committed fraud. • Controls Report – details any control weaknesses identified during the investigation and associated recommendations.
Management	Non-financial misconduct	Summary of work performed and a view as to whether fraud has occurred.
Joint Audit and Management	Both financial and non-financial misconduct	A Lead Officer will bring together the outcomes of the Management Investigation together with the Audit Investigation and Controls Reports.

All investigations will be performed in accordance with relevant legislation including the Regulation of Investigation Powers Act 2000 (as amended by the Investigatory Powers Act 2016). Investigation outcomes will be reported to the relevant senior officer to determine next steps.

What happens if an employee is found to have committed fraud?

By committing fraud, an employee will have breached the Code of Conduct for Employees and may also have committed a crime under the Fraud Act 2006.

The penalties for this may include:

- Criminal prosecution leading to potential imprisonment, community service and fines.
- Reputational damage for the employee due to the publicity of successful criminal prosecutions within the public domain.
- Dismissal from employment and negative impact on future employment prospects.
- Legal action against the individual to recover monies taken from the council by fraud.

APPENDIX A – FRAUD RESPONSE PLAN

The key stages of the fraud responses are summarised below:

1. Employee suspects fraud:
- Document concerns and secure evidence.
- Notify Line Manager.

2. Line Manager receives the allegation:
- Notify Assistant Director of Finance (Audit).
- Consider whether the employee should be suspended or redeployed whilst the allegation is investigated.

3. Assistant Director of Finance (Audit) is notified:
- Agree with the Executive Director the type of investigation to be performed.
- Consider if further action is needed to secure primary evidence.
- Consider consultation with the Police.
- Undertake Audit investigation.

4. Referral to Police:
- Will decide if a criminal investigation will be launched.
- May instruct the Council to pause their investigation whilst the Police investigation is ongoing.
- Evidence and information will be shared with the Police, as required.

5. Issue Investigation Report:
- Provides a view as to whether the employee has committed fraud.
- Issued to senior council officers and used to determine next steps.

6. Issue Controls Report:
- Details any control weaknesses identified during the Investigation and associated recommendations.
- The Action Plan will be discussed and agreed with management.

7. Next steps:
- To be decided by the relevant officer following receipt of the Investigation Report.
- May involve no further action being taken or a disciplinary process being launched.
- Will consider whether monies lost through fraud can be recovered.
- Potential publication of the fraud and its outcome.
- Follow up of the recommendations within the Controls Report.

APPENDIX B – SUMMARY OF ACTIONS

Area	Area	Ref	Action	2023-24	2024-25	2025-26
	Govern	A1	Review the Anti-Fraud and Anti-Corruption Strategy.	✓	✓	✓
		A2	Devise a risk assessment methodology for all fraud referrals.	✓		
	Acknowledge	A3	Refresh fraud awareness training for members and employees.	✓		
		A4	Attend all Departmental Senior Management Teams annually to raise fraud awareness.	✓	✓	✓
		A5	Work with the Director of Finance & ICT to make Fraud Awareness training mandatory for all corporate finance staff.	✓		
		A6	Work with Executive Directors to extend mandatory Fraud Awareness Training within the department.		✓	✓
		A7	Provide fraud awareness training to maintained schools.	✓	✓	✓
		A8	Support the annual Fraud Awareness Week in November.	✓	✓	✓
		A9	Establish and maintain working relationships with internal and external organisations involved in counter fraud activity across Derbyshire.	✓	✓	✓
		A10	Develop a counter fraud presence on the Corporate Services and Transformation SharePoint site.	✓		
	Prevent	A11	Identify national datasets which could be used to proactively identify instances of fraud and corruption.	✓	✓	✓
		A12	Embed counter fraud testing within all planned audit reviews.	✓	✓	✓
	Pursue	A13	Develop a Counter Fraud Communications Plan.	✓		
		A14	Complete all audit investigations within three months of referral unless extended by the Assistant Director of Finance (Audit).	✓	✓	✓
		A15	Produce an Annual Fraud Report to support the Annual Audit Report.		✓	✓
	Protect	A16	Create a Fraud Risk Register.	✓		

Agenda Item

FOR PUBLICATION

DERBYSHIRE COUNTY COUNCIL

AUDIT COMMITTEE

18 July 2023

Report of the Director of Finance and ICT

Corporate Risk Management Update (2022-23 Quarter 4)

1. Purpose

1.1 To receive an update on current risk management and insurance issues, and to review the Council's strategic risk register.

2. Information and Analysis

2.1 This report covers updates to the council's strategic risk register up to the end of Quarter 4 (Q4) (31 March 2023). The current position is summarised in section 3 below. The full register is provided in Appendix 2.

2.2 A few external uncertainties, summarised in previous reports, continue to impact on the Council. Notably, the war in Ukraine and broader economic issues affect the Council's financial risk through high interest rates, energy and supply chain costs. Cyber-attack is a constant challenge. Considerable work is ongoing to ensure the Council's data is kept secure and to meet more stringent cyber-security standards. In the meantime, the Council continues to self-insure for cyber risks.

2.3 Work during Q4 ensured the strategic and departmental risk registers were more closely associated with the corporate planning process. The most significant risks are now described in the 'Challenges and Opportunities' section of the Council Plan, and service delivery plans show the key risks for each deliverable.

2.4 These developments mean that the quality of risk registers should improve. A new 'corporate risk register' (to replace the current strategic risk register) is under development, and departments are aligning their registers to the risks identified in the Council's plans. Further improvements are expected as the Transformation & Strategy Division develops its work on corporate horizon scanning, strategic and operational business planning.

2.5 All risks will be migrated to the new APEX risk database by 31 July 2023. For the first time, risk owners will be able to directly input their risk data online, beginning with their Q2 updates by the end of September 2023. Having risk data in APEX also means improved performance reports can be provided to senior officers and elected members to improve governance. This will be developed through 2023-24. Dashboards in APEX will allow risk data to be viewed online, and data can be exported for use in other applications and bespoke reports.

2.6 The Council's current insurance policy was renewed and took effect from 1 May 2023. 2023-24 is the final year of the current policy and a tender for a new contract will be issued later this year. An actuarial review of the Council's insurance fund is being undertaken to inform the retention value (policy excess) for the tender. A change to the insurance policy renewal date to early summer 2024 is also under consideration. This is to avoid work congestion in the insurance industry around March/April, and to reduce pressure on the Council's insurance staff also dealing with client policy renewals and financial accounts year-end work.

3. Strategic Risk Register (2022-23 Q4 update)

3.1 The strategic risk register includes those risks which could have a significant impact on the Council's ability to deliver its services and objectives. These are defined as Major Risks (Red and Amber) and subject to active monitoring and control.

3.2 A summary of the strategic risk register is shown in Table 1. The full register is shown at Appendix 2, with the Q4 update for each risk shown in purple text.

3.3 The scores for all risks on the register remain unchanged from 2022-23 Q3. Nine risks have been Red for six successive quarters (18 months or more) up to the end of 2022-23 Q4. These risks are indicated in orange in the 'risk description' column in Table 1.

3.4 Two overall scores are shown for each risk in 2021-22 Q2 in Appendix 2. This is because a new scoring methodology was introduced in September 2021 to give greater weight to risk impact. Scores are shown using both the old and new methodology for comparison and continuity purposes.

3.5 Details on how risk impact and likelihood are assessed are included for information at the end of Appendix 2.

Table 1 – Summary of current strategic risks (2022-23 Q4)

Risk description	Risk owner	Target score	Latest score	Change (from previous quarter)
Impact of a prolonged recovery and a funding gap	Mark Kenyon	Amber	Red (Q4)	No change
Increase in demand on Council services	Iain Little	Amber	Red (Q4)	No change
Failure to deliver critical services in emergency situations	Chris Henning	Green	Amber (Q4)	No change
Failure to have adequate emergency response arrangements in place	Chris Henning	Amber	Amber (Q4)	On target
Supply chain failure	Mark Kenyon	Green	Red (Q4)	No change
Failure to achieve value for money for the Council's New Waste Treatment Facility; and failure to re-commission the facility and secure long-term operation	Chris Henning	Blue	Red (Q4)	No change
Information governance	Mark Kenyon	Amber	Red (Q4)	No change
Adapting to climate change	Chris Henning	Amber	Red (Q4)	No change
Protection of vulnerable adults	Helen Coombes	Amber	Red (Q4)	No change
Protection of vulnerable children	Carol Cammiss	Amber	Amber (Q4)	On target
Maintenance of property assets	Janet Scholes	Amber	Red (Q4)	No change
Inability to maintain Highways and Countryside assets to an appropriate standard	Chris Henning	Green	Red (Q4)	No change
Failure to understand or respond adequately to new or changing legislation and regulation	Helen Barrington	Amber	Red (Q4)	No change

4. Alternative Options Considered

4.1 This is a regular report on progress with managing strategic risks and implementation of the corporate risk management strategy.

5. Implications

5.1 Implications are discussed in Appendix 1.

6. Consultation

6.1 The information in Appendix 2 was provided by risk owners.

7. Background Papers

7.1 Electronic files held by Risk and Insurance, Finance & ICT Services, County Hall Complex.

8. Appendices

8.1 Appendix 1 – Implications.

8.2 Appendix 2 – Strategic Risk Register.

9. Recommendations

9.1 That the Audit Committee notes this report.

10. Reasons for recommendations

10.1 The Audit Committee is charged with providing assurance of risk management within the Council.

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Implications

Financial

1.1 Financial implications in relation to specific risks are noted in the strategic risk register where applicable.

Legal

2.1 Legal implications in relation to specific risks are noted in the strategic risk register where applicable.

Human Resources

3.1 Human Resources implications in relation to specific risks are noted in the strategic risk register where applicable.

Information Technology

4.1 Information technology implications in relation to specific risks are noted in the strategic risk register.

Equalities Impact

5.1 Equalities impact implications in relation to specific risks are noted in the strategic risk register where applicable.

Corporate objectives and priorities for change

6.1 The strategic risk register and corporate risk management strategy underpin the successful delivery of the Council's objectives and deliverables set out in the Council Plan and service delivery plans.

6.2 The corporate risk management strategy is designed to strengthen risk management arrangements to underpin improved performance across the Council, and to deliver greater public value from its work.

Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)

7.1 All other implications in relation to specific risks are noted in the strategic risk register where applicable.

Appendix 2

STRATEGIC RISK REGISTER

Report period:	2022-23	Q4
Report date:	24 May 2023	

This is the Derbyshire County Council strategic risk register.

The Corporate Risk Management Strategy 2021-2025 (v3.1) states that corporate risks scoring 12 and above are deemed ‘strategic’ and included in the strategic risk register. These are risks with the greatest potential negative impact on the Council.

Change to scoring from September 2021

The risk impact scoring table changed in September 2021 (2021-22 Q2) to give greater weight to the ‘Impact’ score. Prior to this, risks scoring 13 and above were deemed ‘strategic’ risks. The pre- and post-September 2021 risk scoring matrices are shown in Appendix 2A and Appendix 2B.

The individual risk summaries in the register below show two 2021-22 Q2 scores. This quarter was scored using both methods to provide continuity of trend data pre- and post-September 2021.

Scoring history (trend)

Historic scoring data is shown from when risks were first included in the register. During 2021-22 some risks were split into component parts and/or wording amended to provide greater clarity. Trend data for these risks have been retained, except where the risk focus has changed sufficiently to make comparison with prior scores less useful.

Risk updates

Textual changes and updates since the last report are shown in **Purple**. Some risks which recently changed to have a score below 12 have been retained on the register for information.

Summary of strategic risks

Risk description	Risk owner	Target score	Latest score	Change (since previous quarter)	Page
Impact of a prolonged recovery and a funding gap	Mark Kenyon	Amber	Red (Q4)	No change	4
Increase in demand on Council services	Iain Little	Amber	Red (Q4)	No change	8
Failure to deliver critical services in emergency situations	Julian Gould	Green	Amber (Q4)	No change	10
Failure to have adequate emergency response arrangements in place	Julian Gould	Amber	Amber (Q4)	On target	13
Supply chain failure	Mark Kenyon	Green	Red (Q4)	No change	16
Failure to achieve value for money for the Council's New Waste Treatment Facility; and failure to re-commission the facility and secure long-term operation	Claire Brailsford	Blue	Red (Q4)	No change	20
Information governance	Mark Kenyon	Amber	Red (Q4)	No change	23
Adapting to climate change	Chris Henning	Amber	Red (Q4)	No change	26
Protection of vulnerable adults	Helen Coombes	Amber	Red (Q4)	No change	31
Protection of vulnerable children	Carol Cammiss	Amber	Amber (Q4)	On target	35
Maintenance of property assets	Janet Scholes	Amber	Red (Q4)	No change	38
Inability to maintain Highways and Countryside assets to an appropriate standard	Chris Henning	Green	Red (Q4)	No change	41
Failure to understand or respond adequately to new or changing legislation and regulation	Helen Barrington	Amber	Red (Q4)	No change	46

Risks recently removed from the Strategic Risk Register:

Risk description	Risk owner	Target score	Last score	Status	Page
Effective change management		Green	Green (Q4)	Under review	51
Ineffectual workforce planning		Green	Green (Q4)	Under review	54

Risk Description	**Impact of a prolonged recovery and a funding gap**									
	In the event that the Authority does not develop sufficient and timely proposals to deal with the ongoing or further reductions in funding/resources, there is a risk that the need to close the funding gap may result in identifying measures for unplanned reductions in service spend leading to deterioration or interruption of front line service delivery.									
Risk Owner	**Mark Kenyon**			Director of Finance & ICT						
Last update	Period:	2022-23 Q4			Date:	18 May 2023				
Target (score)	AMBER (8) by tba			Probability:	Probable (4)			Impact:	Moderate (2)	
Current (score)	**RED (20)**			Probability:	Almost Certain (5)			Impact:	Extremely High (4)	
Assessment history	2021-22	Q1	Q2 (Pre-Sep 2021) Q2 (Post-Sep 2021)	Q3	Q4	2022-23	Q1	Q2	Q3	Q4
Other	**Reputation impact assessment**		MODERATE			**Financial impact assessment**		Band 8		
Progress update	The Council has updated its Five-Year Financial Plan alongside the setting of the Revenue Budget 2023/24 in February 2023. The update reflects the outcomes of the Local Government Finance Settlement 2023/24. There is a significant commitment in the Council's 2022/23 Revenue Budget to provide an additional £29m of ongoing funding and £24m to support service pressures. There is still significant uncertainty in the economy and this was reflected when setting the budget with sums being set aside in the contingency pending final information regarding cost increases and pay awards as the financial year progresses. There is a continued reliance on the achievement of a programme of budget savings. The Autumn Statement 2022 announced additional funding to support social care									

Page 661	The Provisional Finance Settlement failed to provide a multi-year settlement which would have helped to support financial planning and financial sustainability. The revenue and capital budgets for 2023/24 were agreed at Council on 15 February. These continue to be constrained by the availability of funding and continue to rely upon the use of reserves to manage the achievement of the required budget reductions. **2022-23 Q2 Update:** Preparation for 2023-24 budget setting has started early with a Council-wide approach. Detailed work on budget savings has been completed over the summer. CMT Away Day scheduled for October 2022 to focus on budget preparation. Letter sent to Secretary of State with details of inflationary pressures faced by the Council. **2022-23 Q3 Update:** Preparation for 2023-24 budget setting has started early with a Council-wide approach. Detailed work on budget savings has been completed over the summer/autumn, with cost pressures identified and further savings proposals established by departments. The Government's Autumn Statement announced addition funding for social care and the flexibility for local authorities to raise additional income from the Adult Social Care precept. The additional funding and the Council Tax flexibility will be available in both 2023-24 and 2024-25. A two-year financial settlement is expected; however, the 2024-25 allocations will be indicative at this stage. **2022-23 Q4 Update:** The Revenue Outturn 2022-23 will be reported to Cabinet on 26 July 2023. Preparation is underway to review the approach to budget setting for 2024-25 with a focus on service priorities.		
Controls	**Description**	**Status**	**Owner**
	Five-Year Financial Plan is updated at least annually and following key Government announcements e.g. Spending Rounds. In addition to this, the Council's Financial Strategy has been revised and updated, and was approved by Cabinet on 9 September 2021. The Strategy sets out a framework in which the Council manages its financial resources.	In place/embedded	E Scriven
	Departmental budget reductions programmed developed together with a plan of lead-in times for consultation, where appropriate and the identification of workforce reductions.	In place/embedded	M Kenyon

Page 662	Budget Management Strategy Group established to ensure a cohesive approach to the monitoring of departmental budget saving targets, associated consultation activity and budget setting procedures. Departmental representatives following agreed terms of reference are meeting at least monthly with an expectation that the frequency of meetings will be more regular during the budget setting period. In addition, the Capital Strategy Group oversee the capital bids process and monitoring of the capital programme.	In place/embedded	M Kenyon
	Budget Monitoring Policy ensures that there is regular reporting to SMTs and Members. The Director of Finance meets with Executive Directors and Cabinet Members to discuss the latest monitoring position. The position is reported to Cabinet and Council on a quarterly basis (effective from 1/4/2020) alongside departmental performance information.	In place/embedded	E Scriven
	The Reserves Policy stipulates that the Council's level of reserves will be reviewed at least annually. This includes a projection of the General Reserve balance to ensure that is maintained at an adequate risk assessed level.	In place/embedded	E Scriven
	Positive use of Better Care Fund and alignment of health and social care priorities for integrated working.	In progress/taking effect	H Coombes
	Lobby Government in ensuring fair funding for Derbyshire. The Council responds to all key Government consultations in respect of the Funding Review which is currently ongoing. Consideration is being given to the establishment of countywide lobbying in association with district/borough/city councils, adopting a joined-up approach in respect of priority areas such as social care and homelessness.	In progress/taking effect	M Kenyon
	Monitor the impact of the National Funding Formula for schools and closely monitor the implications of the High Needs Block level of funding ensuring compliance with the revised Government regulations.	In progress/taking effect	S Kerslake

	The budget setting process for 2023/24 commenced in early Summer 2022 to ensure that the Council has early sight of the financial pressures faced in both short and medium-term.	In progress/taking effect	M Kenyon
	A £15m recovery fund has been established to support the Derbyshire economy and recovery from Covid-19. It is expected that the majority of the scheme will each provide significant benefit to the local economy with a smaller portion for internal recovery, with a further £14.000m made available from 2020/21 underspends.	In progress/taking effect	M Kenyon

Risk Description	**Increase in demand on Council services** As demand for services changes, the Council may need to adapt the services it currently offers to provide the new or additional services. Failing to manage the changes could lead to core services being reduced leading to significant impact upon stakeholders and partnerships; potential litigation; fines; risk of injury or death.									
Risk Owner	**Iain Little**				Deputy Director of Public Health					
Last update	Period:	2022-23 Q4			Date:	31 March 2023				
Target (score)	AMBER (8) by 31 March 2023			Probability:	Probable (4)		Impact:	Moderate (2)		
Current (score)	**RED (16)**			Probability:	Probable (4)		Impact:	Extremely High (4)		
Assessment history	2021-22	Q1	Q2 (Pre-Sep 2021) Q2 (Post-Sep 2021)	Q3	Q4	2022-23	Q1	Q2	Q3	Q4
Other	**Reputation impact assessment**		LOW		**Financial impact assessment**			Band 6		
Progress update	Demand Management has been identified as a priority project within the Enterprising Council approach. A report to Enterprising Council Board in May 2021 recommended that demand management is embedded across change management projects and programmes through developing an approach to understand and measuring demand. This will align the work with the Strategic Transformation workstream. An SRO has been identified, and links made to incorporate demand management within work of the Strategic Transformation Programme Management Office. This work is now progressing following previous delays due to capacity pressures caused by the Council's Covid-19 response. A cross-Council working group has been established and met, with a definition and work programme to be proposed to the EC Board in Q1/2 2022/23. **2022-23 Q2 Update:** Work continues to progress through working group.									

	2022-23 Q3 Update: The cross-Council working group continues to meet and has identified next steps to scope existing demand management practice across all departments. Conversations required between SRO and Executive Director to align work of Demand Management workstream with recently established corporate PMO. Scoring reflects increased pressure on Council services due to external factors, including impact of inflationary pressures on Local Authority budgets, and Cost of Living pressures increasing demand on public services. **2022-23 Q4 Update:** The working group has been paused while further clarification is received from the Exec Director with responsibility for Enterprising Council to confirm the future actions of the demand management workstream and working group are aligned with the functions and tasks of the corporate PMO. Scoring reflects continued increased pressure on Council services due to external factors, including impact of inflationary pressures on Local Authority budgets, and Cost of Living pressures increasing demand on public services.		
Controls	**Description**	**Status**	**Owner**
	SRO identified to lead work.	In place/embedded	I Little
	Demand management approach agreed.	In place/embedded	I Little
	Embedding of demand management approach within work of Strategic Transformation PMO – for completion by March 2023	In progress/taking effect	I Little

Risk Description	**Failure to deliver critical services in emergency situations**									
	The emerging risk environment, the number and type of emergency and the interdependencies of services is increasingly making business continuity or "resilience" a significant focus for the Council. This is a corporate risk across all departments.									
Risk Owner	**Julian Gould**			Director, Place						
Last update	Period:	2022-23 Q4			Date:	31 March 2023				
Target (score)	GREEN (6) by 31 March 2023			Probability:	Unlikely (2)			Impact:	High (3)	
Current (score)	**AMBER (8)**			Probability:	Unlikely (2)			Impact:	Extremely High (4)	
Assessment history	2021-22	Q1	Q2 (Pre-Sep 2021) / Q2 (Post-Sep 2021)	Q3	Q4	2022-23	Q1	Q2	Q3	Q4
Other	**Reputation impact assessment**		MODERATE			**Financial impact assessment**		Band 5		
Progress update	The risk description has changed from 'Failure to have adequate business continuity plans in place'. (Note: Assessments rescored from 2021-22 Q2 to reflect this change). The Emergency Plan and Business Continuity Plan are both due to be updated soon as part of the Emergency Planning work programme. The Universal Contact List that supports both documents has recently been updated in May 2022, this contains the contact information for key officers and stakeholders so that is up to date with any recent changes. A report is to be submitted to CMT to consider how the business continuity management process is carried out going forward. The Council's corporate business continuity plan provides a strategic framework around which staff can work to enable critical functions to be maintained, or quickly restored to minimise any effect on service delivery to the community.									

	The plan concentrates on services provided at County Hall headquarters, Chatsworth Hall, John Hadfield House and Shand House. and identifies priority functions which need to be maintained or restored in order to provide critical services. Further work is being undertaken to look at services provided at other locations, partnership working and external suppliers. There is an established annual programme of training and exercises to ensure staff understand what their roles and responsibilities are, test the effectiveness of the plan and assist with future development. Following a Business Continuity exercise organised by Emergency Planning a revised priority functions spreadsheet for all service areas is in place. The document ensures that heads of service are actively considering and documenting their business continuity arrangements. The priority functions spreadsheet needs to be revisited throughout the year; the previous version was completed in Nov 2020. Following the outbreak of the coronavirus, the Council has engaged in significant scenario planning across all departments to ensure that the Council is equipped to respond to ensure continuity of services on a priority basis. Directorates providing key services should have up to date service area plans detailing how they will continue/or resume critical services. An audit of these needs to be undertaken to ensure that there are plans and that they are up to date. The corporate business continuity priority functions spreadsheet needs to be revisited throughout the year; the previous version was completed in Nov 2020. The plan has been used during the response to Covid-19 however the plan has not been exercised since October 2019. Concern has been raised as to whether directorates/service areas have in place local service area plans and/or how up to date they are, and the adequacy of these. A review of how business continuity planning is resourced needs to be undertaken to ensure that it is adequately resourced. The revised scoring was proposed following a meeting with the Risk & Insurance Manager and Emergency Planning Manager.

	2022-23 Q2 Update: No change to the risk this quarter. **2022-23 Q3 Update:** No change to the risk this quarter. **2022-23 Q4 Update:** The Corporate Emergency Plan is scheduled for update in May 2023 and the Corporate Business continuity plan has been drafted and requires further work but needs CST decisions on proposed corporate structure.		
Controls	**Description**	**Status**	**Owner**
	Corporate Business Continuity Plans updated and tested on an annual basis. Plan is held on an external resilient portal (ResilienceDirect) to which staff with identified roles and responsibilities have access.	In place/embedded	E Partington
	In the event of an emergency, the Business Continuity Management Team (key strategic corporate staff) will meet at appropriate intervals to agree the strategic objectives and task the Business Continuity Support Team in order to ensure an effective co-ordinated response.	In place/embedded	C Burton
	Departments hold in-depth reviews of their continuity arrangements to ensure key services can continue.	In progress/taking effect	C Burton
	ICT and procurement to work with departments to ensure systems procured provide resilience.	In progress/taking effect	T Gerrard
	Cross departmental working in place to support key areas. Skills and training identified.	In progress/taking effect	C Burton
	Business Continuity Policy – May 2018	In progress/taking effect	E Partington

Risk Description	**Failure to have adequate emergency response arrangements in place**									
	The Council's ability to provide an effective response to an emergency situation, including major incidents such as severe weather (e.g. climate change-based flooding), fire, loss of utilities or pandemics, whilst maintaining its critical services to the public. The emerging risk environment, the number and type of emergencies is increasingly making continuity or "resilience" a significant focus for the Council. Budget cuts and rationalisation (including resourcing reductions) also challenge the Council in its ability to fulfil its Category 1 Responder statutory duty under the Civil Contingencies Act 2004.									
Risk Owner	**Julian Gould**			Director, Place						
Last update	Period:	2022-23 Q4			Date:	31 March 2023				
Target (score)	AMBER (8) by 30 June 2022			Probability:	Unlikely (2)			Impact:	Extremely High (4)	
Current (score)	**AMBER (8)**			Probability:	Unlikely (2)			Impact:	Extremely High (4)	
Assessment history	2021-22	Q1	Q2 (Pre-Sep 2021) Q2 (Post-Sep 2021)	Q3	Q4	2022-23	Q1	Q2	Q3	Q4
Other	**Reputation impact assessment**	HIGH			**Financial impact assessment**	Band 5				
Progress update	The emergency response arrangements are under review to ensure resilience and training for key response staff. This will help enable a new lower target score to be achieved. The Emergency Plan and Business Continuity Plan are both due to be updated soon as part of our overall work programme. The Universal Contact List that supports both documents has recently been updated in May 2022, this contains the contact information for key officers and stakeholders so that is up to date with any recent changes.									

	Under the Civil Contingencies Act (CCA) 2004 the County Council is defined as a Category 1 Responder and therefore has statutory duties placed on it, one of which is to ensure that it has plans in place to respond to an emergency and continue to provide critical services, i.e. emergency planning and business continuity arrangements. The Local Resilience Forum is made up of Category 1 Responders as defined by the CCA. As a Category 1 Responder the Council is jointly responsible for preparing and maintaining Derbyshire LRF's community risk register and ensuring that multi-agency plans are in place to mitigate/respond to the risks/threats identified within it. **2022-23 Q2 Update:** No change to the risk this quarter. **2022-23 Q3 Update:** Systems and processes are in place to respond to incidents on the highway and deal with flooding and business continuity plans are being reviewed and updated. **2022-23 Q4 Update:** The Corporate Emergency Plan is scheduled for update in May 2023 and the Corporate Business continuity plan has been drafted and requires further work but needs CST decisions on proposed corporate structure.		
Controls	**Description**	**Status**	**Owner**
	Corporate Emergency Plan updated and tested on an annual basis with multi agency training and exercises. Plan is held on an external resilient portal (ResilienceDirect) to which staff with identified roles and responsibilities have access.	In place/embedded	E Partington
	In the event of an emergency, key staff will attend multi agency Strategic Co-ordinating and Tactical Co-ordinating Groups as appropriate. During Covid-19, wherever possible, Strategic Coordinating Group and Tactical Coordinating Group meetings will be held virtually in response to Covid-19 and other major incidents.	In place/embedded	C Henning
	Following emergencies departments review their response with internal debriefs that feed into LRF multi-agency debriefs as appropriate.	In place/embedded	C Henning

	LRF multi-agency risk and capability plans are prepared and maintained by LRF partners to ensure an effective response by responding agencies including the County Council.	In place/embedded	C Henning
	Flood Risk Management Strategy and guidance notes - The flood risk management strategy sets out the Council's actions to help manage flood risk in Derbyshire. It also gives the role of our partners (such as district and borough councils, water companies, parish and town councils). The strategy is divided into 2 parts: • Part 1 provides information about flooding and flood risk - it covers who to call, and how local people can help themselves to become more resilient to the impacts of flooding. • Part 2 covers the more technical details of understanding flood risk in Derbyshire - it has an action plan about how we will manage future risks and get money to cover costs.	In place/embedded	J Gould
	Flood Risk Asset Register - register of structures or features in Derbyshire which are considered to have a significant impact on flood risk and requires permission if any changes are to be made. Owners of assets and features on the asset register must maintain their assets and ensure that they are working fully. The Council has the power to enforce the owners of registered assets to carry out this duty.	In place/embedded	J Gould

Risk Description	**Supply chain failure** Failure to manage contracts effectively could lead to unforeseen increased costs; risk of contracts collapsing; increased carbon footprint.									
Risk Owner	**Mark Kenyon**			Director of Finance & ICT						
Last update	Period:	2022-23 Q4				Date:	24 May 2023			
Target (score)	GREEN (6) by tba			Probability:		Unlikely (2)		Impact:	High (3)	
Current (score)	**RED (20)**			Probability:		Almost Certain (5)		Impact:	Extremely High (4)	
Assessment history	2021-22	Q1	Q2 (Pre-Sep 2021) Q2 (Post-Sep 2021)	Q3	Q4	2022-23	Q1	Q2	Q3	Q4
Other	**Reputation impact assessment**		HIGH			**Financial impact assessment**		Band 8		
Progress update	A Central Contract Management Support Team to improve management of contracts across the Council has been approved and appointments are being made to the team. **2022-23 Q2 Update:** A Principal Procurement Officer has been appointed to lead the Central Contract Management Support Team. She is currently having difficulty recruiting to the vacant posts in the team. **2022-23 Q3 Update:** The Principal Procurement and Compliance Officer is planning and co-ordinating activities to mitigate contract management and compliance risk. However, failure to recruit into the team continues to jeopardise the ability to successfully deliver the team's strategy for the Council. **2022-23 Q4 Update:** The officer appointed as the Principal Procurement and Compliance Officer and leading on the deliver is initiative is now leaving the Council. Failure to recruit into the team continues to jeopardise the ability to successfully deliver the agreed strategy on contract & supply chain management.									

Controls	Description	Status	Owner
	A guidance document has been produced to ensure departments are aware of their responsibilities to ensure management of business continuity is part of their contract management processes. This document is under review, followed by audit confirmation for general circulation.	Proposed/not yet approved	T Gerrard
	Proposed introduction of a standardised Contract Management Framework via a Central Management Professional Standards Team across the Council. Work on the Contract Management Framework has begun, using the lengthy guidance documentation (>200 pages) provided by the Cabinet Office.	In progress/taking effect	T Gerrard
Page 673	Identification of high value/high risk contracts including partnerships and partners which demand a higher level of contract management. The Contract Tiering Tool released by Cabinet Office has been agreed with risk and audit. Work is currently underway to classify and validate >300 retrospective contracts on the Contracts Register (above £25k). This will inform the Compliance Team of resource levels needed within Business Services for contract management. This work is now complete and embedded into BAU	In progress/taking effect	T Gerrard
	Understanding the flow of Council goods and services from our suppliers will help mitigate supply chain risk and identify any potential risk to supply and/or costs this should include the manufacturing, movement and storage of goods, right through to order fulfilment. This data should be captured and reported on centrally as part of robust contract/supply chain management. This will form part of the Contract Management Framework and be rolled out when appropriate.	In progress/taking effect	T Gerrard

Page 674	Use of an external credit reference agency is proposed as part of contract management activity to check financial standing of providers during the life of the contract. The Council has a contract in place with Experian which is awaiting implementation. Credit checks will form part of the Contract Management Framework which is also recommended by Cabinet Office.	Proposed/not yet approved	T Gerrard
	Contract & provider knowledge sharing with other councils via the East Midlands Heads of Procurement and the national Public Sector Procurement Working Group. Knowledge and plans are share with other authorities regarding Contract Management. County Procurement are already liaising with Cabinet Office for training that is available and funded by the GCF (Government Commercial Function). Worked with the LGA and Cabinet Office Commercial Function to establish free foundation and practitioner contract management training. The Contract Management Capability Programme is a public sector bespoke training programme that will train and accredit contract managers working in all government departments including local government. The available training has been publicised in Our Derbyshire and at CMT in March 22 since then 47 individuals from across the Council have completed the foundation training and 17 undertaking the Practitioner training. Further publicity of the training is now required to keep momentum going.	In progress/taking effect	T Gerrard
	Reviewing and updating tender documentation and contracts to identify weaknesses which could contribute towards supply chain failure. No action has yet been taken regarding this risk and it is dependent on other controls and the roll out of the Contract Management Framework.	In progress/taking effect	T Gerrard

	Ensuring Business Continuity Plans are reviewed and tested with providers during the life of the contract as part of robust contract management activity. Once the Business Continuity Plan has been confirmed for issue by Audit, the Business Services can test the plan(s).	In progress/taking effect	T Gerrard
Page 675	County Procurement is an active member of the Council's Environmental Sustainability Group. As part of this Group proposals to embed sustainability into Procurement activities are being considered. The Social Value Portal organisation is being on-boarded to deliver sustainability as part of the Social Value framework. A Soft Market Testing exercise is also being undertaken to identify a sustainability partner. The Council's Sustainable Procurement Policy has been approved and published. A social value partner provider has been identified and implemented into procurement systems. A 12mth Pilot period has been agreed and projects are in delivery – to date £900K of social, environmental and economic value commitments have been made as part of contract awards.	In progress/taking effect	T Gerrard

Risk Description	**Failure to achieve value for money for the Council's New Waste Treatment Facility, and failure to re-commission the facility and secure long-term operation**			
	Following termination of the Project Agreement with RRS, the Council is now engaged in defending legal action brought by the owners of the debt accrued in the development of the plant. This puts at significant risk to deliver the value for money originally envisaged in the long term waste strategy. Failure to achieve value for money is a significant risk to the Council's budget. Failure to determine the future use of the New Waste Treatment Facility is a significant risk for the long-term waste management strategy, the Council's future economic and environmental sustainability and its reputation.			
Risk Owner	**Claire Brailsford**	Environment and Transport Director, Place		
Last update	Period: 2022-23 Q4	Date: 31 March 2023		
Target (score)	BLUE (2) by tba	Probability: Unlikely (2)	Impact: Low (1)	
Current (score)	**RED (12)**	Probability: Probable (3)	Impact: Extremely High (4)	
Assessment history	2021-22: Q1, Q2 (Pre-Sep 2021), Q2 (Post-Sep 2021), Q3, Q4	2022-23: Q1, Q2, Q3, Q4		
Other	**Reputation impact assessment**	HIGH	**Financial impact assessment**	Band 7
Progress update	RRS has commenced formal court proceedings against the Council and Derby City Council, following termination, in August 2019, of the Project Agreement for the Joint Waste Project, including the waste treatment centre in Derby. The Councils will be defending these proceedings and preparations for the proceedings is underway. The councils need to agree an "estimated fair value" for the facility taking into account all of the costs of rectifying ongoing issues at the facility, and the costs of providing the services to meet the agreed contract standards.			

	Work to determine the condition and capability of the facility is nearing completion and will determine the next steps for the facility. Procurement for services post 2 October 2022, when the Service Continuity Contract expires is almost complete, contracts to be awarded in July 2022. A Work Plan of key actions is in place, resources allocated and are subject to regular review. **2022-23 Q2 Update:** No change to the risk this quarter. **2022-23 Q3 Update:** No change to the risk this quarter. **2022-23 Q4 Update:** A Full Business Case (FBC) for two options (rectification and operation, and closure) has been completed and a recommendation to undertake rectification of the NWTF has been approved by both Derbyshire and Derby City Cabinets. Pre-procurement preparation and soft market testing will take place between now and July/August ahead of a 12-month formal procurement process. Heads of Terms for a new Inter Authority Agreement have been agreed with the full documentation due to be completed, signed, and sealed in the first week of April 2023. Completion of the IAA is an important mitigation against exposure to counterparty risk.		
Controls	**Description**	**Status**	**Owner**
	A Service Continuity Contract is in place to make sure waste continues to be dealt with, and that recycling centres and waste transfer stations continue to operate. These services are being provided by waste management company Renewi under a short-term contract up to October 2022. The contract includes work to secure, clean and preserve the waste treatment facility.	In place/embedded	C Brailsford
	Joint Waste Contract Management Boards (with Derby City Council) in place and meet regularly to provide strategic leadership.	In place/embedded	C Brailsford
	Internal Waste Project Board is in place and meets monthly.	In place/embedded	C Brailsford

	Specialist advisors (finance; commercial, technical and legal) support the Project Team. The Project Team meets at minimum weekly.	In place/embedded	C Brailsford

Risk Description	**Information governance** The Council's information governance policies, processes and systems insufficiently protect personal, commercial and other sensitive data, leading to potential harm to vulnerable persons, employees and commercial relationships, legal action, financial penalties and reputational damage.									
Risk Owner	**Mark Kenyon**				Director of Finance and ICT					
Last update	Period:	2022-23 Q4			Date:	26 May 2023				
Target (score)	AMBER (9) by tba			Probability:	Possible (3)		Impact:	High (3)		
Current (score)	**RED (16)**			Probability:	Possible (4)		Impact:	Extremely High (4)		
Assessment history	2021-22	Q1	Q2 (Pre-Sep 2021) Q2 (Post-Sep 2021)	Q3	Q4	2022-23	Q1	Q2	Q3	Q4
Other	**Reputation impact assessment**		HIGH			**Financial impact assessment**		Band 3		
Progress update	This corporate risk is being reformulated by the Director of Finance and ICT to address information governance (incorporating GDPR and cyber resilience). The risk scores are unchanged until the review is complete, and an informed assessment is made, however the current score reflects the large number of controls in place. An implementation plan for The Data Strategy will shortly be provided for approval to centralise legacy flat file data into a secure SharePoint structure. **2022-23 Q2 Update:** Update requested from ICT. **2022-23 Q3 Update:** Senior leadership changes. This risk will be reviewed and updated for 2022-23 Q4.									

	2022-23 Q4 Update: A working group has been established to develop and implement a data management strategy for the County Council. This will be based on best practice across local government and learning from similar organisations. The Council's arrangements in relation to cyber security are being reviewed and improved to ensure there is an appropriate resilience.		
Controls	**Description**	**Status**	**Owner**
	The ICT Data Architecture function to build out the data use and management guidelines for the Council.	In progress/taking effect	S Oxley
	The data management strategy and a resource requirements report have been considered by CMT and will be presented to Cabinet in June 2022. This will allow the ICT Service to put the resources in place to develop an implementation plan to migrate to SharePoint and implement the advance security options available in the e5 license.	In progress/taking effect	S Oxley
	Staff see a screen each time they logon to the Council's network that lists the key policies that they must read and acknowledge. These same policies are presented to new staff at induction.	In place/embedded	J White
	File counter icon on desktops show staff their documents that are held locally.	In place/embedded	J White
	Information Governance Training is mandatory online training for all council staff, agency staff and temporary staff. It must be completed every 12 months and metrics are presented to the Information Governance Group monthly.	In place/embedded	J White
	ISO27001 certification gives the Council assurance that physical and technical processes are in place to secure and protect data.	In place/embedded	J White
	The council has a robust security incident management system in place which alerts of security vulnerabilities and data breaches. The new Halo	In place/embedded	J White

	system is now live and improvements have been implemented to alert ICT Services of incidents that pertain to malware and phishing incidents.		
	The council has access control on all systems holding data and permissions are reviewed quarterly.	In place/embedded	S Oxley
	The council has a range of technical defences in place to secure the council's Data Centres, server and network architecture, data backups and business continuity plans.	In place/embedded	S Oxley
	All Council issued devices are encrypted and PIN protected to prevent access to data on the hard drive.	In place/embedded	S Oxley

Risk Description	**Adapting to climate change**			
	The Council and County faces a challenge in relation to an increase in extreme weather patterns including increased rainfall, drought, heatwaves and unseasonal weather. This will result in risks of increased frequency of flooding; damage to infrastructure; risk to health, well-being and productivity; water and energy shortages; risks to natural capital; interruption of food production and trade; new and emerging pests, diseases and plant and animal species. Climate change around the world is likely to result in mass migration of people.			
Risk Owner	**Chris Henning**	Executive Director Place		
Last update	Period: 2022-23 Q4	Date: 31 March 2023		
Target (score)	AMBER (9) by 01/01/2025	Probability: Possible (3)	Impact: High (3)	
Current (score)	**RED (16)**	Probability: Probable (4)	Impact: Extremely High (4)	
Assessment history	2021-22: Q1; Q2 (Pre-Sep 2021); Q2 (Post-Sep 2021); Q3; Q4	2022-23: Q1; Q2; Q3; Q4		
Other	**Reputation impact assessment**	HIGH	**Financial impact assessment**	Band 8
Progress update	A Derbyshire Climate Change Adaptation Plan was produced in 2013 with a review of progress taken place in 2017. The Adaptation Plan addressed flooding, infrastructure, service delivery, adapting the built environment and community and business resilience planning with considerable work being undertaken in each area. Since the 2013 study climate change understanding and science has progressed, and the policy and guidance around climate change adaptation has changed. The target score has been reassessed in the context of these changes. There is therefore now a need to assess what this information means to the Council and the services that it delivers, using the Derbyshire Climate Change Adaptation Plan developed in 2013 as foundation to work from. A Climate Projections for Derbyshire 2020-2100 report has been developed, summarising information about how the climate of Derbyshire, the UK and the world are changing and may change in the future. This is an internal-facing			

document being used to help inform the risks and opportunities facing the Council and the wider county. A project proposal for assessing the risks facing Council Services has also been developed and shared with CMT, the Corporate Risk Management Group (CRMG) and the Council's Governance Board, with project delivery now commenced and continuing in 2022-23.

The project is being delivered through the following steps, the first of which has now commenced:

1. Engagement with each departmental management team to provide an overview of the area of work and confirm next steps for departmental engagement (July – August 2022).
2. Meetings/workshops held with relevant officers from each department to review the risks and adaptation actions highlighted in the 2013 Derbyshire Climate Change Adaptation Plan, and to establish the key current risks, how they will change in likelihood and/or severity due to climate change and set out the actions that need to be taken to adapt and build resilience to the risks. Opportunities are also to be explored (September – November 2022).
3. Risk analysis presented back to the CRMG for comment and implementation guidance (December 2022).
4. Agreed climate change risks and adaptation measures to be incorporated into the Corporate Risk Register, Departmental Risk Registers and Service Plans, as appropriate (January – February 2023).
5. Appropriate monitoring and evaluation plan(s) established, including for where partnership working is required (January – February 2023).

To fully understand the risks, and to align with the latest UK Government Climate Change Risk Assessment (UKCCRA3), the Local Partnerships Adaptation Toolkit for Local Authorities will be used to help structure the process of assessing current and future climate vulnerability, establishing appropriate responses, and developing monitoring and evaluation processes. Project delivery will be monitored by the Council's Climate Change and Environment Programme Board (CCEPB).

The project will focus on Council services and functions. There is also a need for a better understanding of wider county and regional risks, opportunities and priority areas of action to be established, particularly around impacts on communities, businesses and the natural environment. Opportunities for a collaborative county-wide or regional study are being explored with the Environment Agency and through Vision Derbyshire, and the East Midlands Local Authority Climate Network. This collaborative approach would accelerate action in areas where cross border working is needed

Page 684	to build county-wide and regional resilience whilst allowing individual authorities to also manage their own authority and service-level risk assessments and action plans. **2022-23 Q2 Update:** Work on assessing climate change risks and opportunities is now underway being led by the Climate Change Team with delivery in each Department. Engagement was carried out with each Departmental Management Team during July and August 2022 to provide an overview of the area of work and identify next steps for departmental engagement. Following this, workshops have been arranged with nominated representatives from each department (for Sept-Dec 2022) to establish the key current risks, how they will change in likelihood and/or severity due to climate change and set out the priority actions that need to be taken to adapt and build resilience to the risks. The findings from these workshops will be presented back to the Corporate Risk Management Group for comment and implementation guidance (December 2022). Identified and prioritised climate change risks and adaptation measures to be incorporated into Corporate Risk Registers and Service Plans, as appropriate, and implemented accordingly (January – February 2023). **2022-23 Q3 Update:** Following engagement with each Departmental Management Team during Q2 to provide an overview of the area of work and identify next steps for departmental engagement, workshops have been held during Q3 with nominated representatives from Place, Corporate Services and Transformation and Adult Social Care and Health to establish the key current risks, how they will change in likelihood and/or severity due to climate change and set out the priority actions that need to be taken to adapt and build resilience to the risks. A focused session has also been held with Public Health. Further workshops are to be held with Children's Services in early Q4 (January 2023) to complete the engagement activities. The findings from these workshops are to be presented back to the Corporate Risk Management Group initially for comment and implementation guidance during Q4, with identified and prioritised climate change risks and adaptation measures be incorporated into the Strategic Risk Register, Departmental Risk Registers, Business Continuity Plans and Service Plans, as appropriate, and then implemented and monitored accordingly. The project is focussing on Council services and functions. Opportunities for a collaborative county-wide or regional study are also being explored through Vision Derbyshire, the D2 Energy Action Group, the East Midlands Local Authority Climate Network. This collaborative approach, hoped to be confirmed by the end of Q4, will accelerate action in areas where cross border working is needed to build county-wide and regional resilience, whilst allowing individual authorities to still hold and manage their own service-level risk assessments and action plans. **2022-23 Q4 Update:** Final workshops and meetings have been held during Q4 with nominated representatives from all Departments to establish the key current risks, how they will change in likelihood and/or severity due to climate change and set out the priority actions that need to be taken to adapt and build resilience to the risks. A report is being

	developed during Q4 to provide an overview of the findings and to make recommendations for further steps that the Council should take corporately, departmentally and at a service level to improve resilience and adapt to the risks and opportunities. This will be presented to the Corporate Risk Management Group initially for comment and implementation guidance during Q1 of 2023-24. The Council's Natural Capital Strategy has been completed (February 2023) which identifies the impacts of climate change on the county's natural capital and the ecosystem services this provides to society. This strategy will be a key reference point in informing the Council's actions to mitigate the impacts of climate change.		
Controls	**Description**	**Status**	**Owner**
	Analysis and distribution of future climate projections for Derbyshire to complete by 31/05/2022.	In progress/taking effect	C Brailsford
	Departmental engagement and Council Service risks identified and confirmed with departments by 30/11/2022	In progress/taking effect	C Brailsford
	Adaptation actions identified and confirmed with departments by 31/12/2022.	In progress/taking effect	C Brailsford
	Council Service risks and adaptation plans embedded and aligned where possible to existing processes and plans to be completed by 31/02/2023.	In progress/taking effect	C Brailsford
	County or regional project developed and delivered with partners to assess and address climate change risks facing the region, its communities and businesses and the natural and built environment. To be completed by 31/12/2023.	Proposed/not yet approved	C Brailsford
	Derbyshire Local Flood Risk Management Strategy developed and embedded, which considers how flood risk is likely to change in the future due to climate change and other environmental stresses.	In place/embedded	J Gould
	Derbyshire Natural Capital and Biodiversity Strategy to complete by 31/12/2022. The Strategy will set out the level of resilience of Derbyshire's natural environment to climate change, and ways in which this resilience can be enhanced.	In progress/taking effect	C Brailsford

	Climate Change Supplementary Planning Guidance approved and embedded by 30/09/2022, which sets out how planning processes should take account of climate change risk and resilience for all new developments.	In progress/taking effect	J Battye

Risk Description	**Protection of vulnerable adults** Failure to protect the most vulnerable in our society could lead to significant fines; special measures; litigation; decreased staff morale; reputational damage.			
Risk Owner	**H Coombes**	Interim Executive Director, Adult Social Care and Health		
Last update	Period: 2022-23 Q4		Date: 31 March 2023	
Target (score)	AMBER (8) by 31/03/2023	Probability: Unlikely (2)		Impact: Extremely High (4)
Current (score)	**RED (12)**	Probability: Possible (3)		Impact: Extremely High (4)
Assessment history	2021-22: Q1; Q2 (Pre-Sep 2021); Q2 (Post-Sep 2021); Q3; Q4		2022-23: Q1; Q2; Q3; Q4	
Other	**Reputation impact assessment**	HIGH	**Financial impact assessment**	Band 4
Progress update	An Adult Social Care (ASC) Quality Assurance Strategy has been developed which is the foundation from which we will ensure that all ASCH functions drive the delivery of high quality services for the people of Derbyshire and work to continuously improve quality based on a clear understanding of expectations and requirements. This strategy has been incorporated into policy and is being driven by an overarching Quality Assurance Board that meets on a six weekly basis and which receives highlight reports at each meeting from workstream leads who are responsible for a specific area of quality assurance across the ASC department. There are six key work streams; Safe Services, Quality Recording, Quality Monitoring and Improvement, Quality Workforce, Communications and Quality Policies and Procedures. Each work stream is required to utilise appropriate data to monitor and scrutinise activity across the department and report to the board via a highlight report as well as focus activity on key actions through detailed work stream action plans.			

	The QA Board initially reported updates on activity and required action to the ASC Portfolio Holder verbally and has been providing written reports to the ASC Portfolio Holder and Executive Director on a quarterly basis from October 2021 onwards. In specific relation to the directly provided services such as residential care, homecare and day care activity there is also a Quality Improvement Board (QIB) which has now been established for some eighteen months or more. This Board is chaired by an Assistant Director and involves Group Managers across the department. The Board ensures that the quality and improvement of all directly provided services is the responsibility of the whole department and that the QA strategy is being implemented. The work of this Board is focused into the same six key work streams, and feeds directly into, the Quality Assurance Board that Board. ASC was impacted by the new Covid variant during January – March 2022 re-establishing emergency planning mitigated this risk. **2022-23 Q2 Update:** Adult Social Care have now developed a prioritisation tool for the Prevention and Personalisation teams. This is being rolled out across the department and will provide further assurance. **2022-23 Q3 Update:** No change from Q2. **2022-23 Q4 Update:** Prioritisation tool has been implemented across the department in March 2023; Trusted Assessor & Reviewer Pilot funding agreed through ICS, initiation phase to begin Q1 2023-24; Self-assessment and self-review first phase to be implemented June 2023. Safeguarding Audit Tool implemented February 2023 and first data release currently being reviewed.		
Controls	**Description**	**Status**	**Owner**
	An Adult Social Care Quality Assurance Strategy and Framework has been developed and agreed. This strategy has now been converted into policy and implemented across the department and is being embedded into practice.	In progress/taking effect	S Stevens

Page 689	The Quality Improvement Board meets on a six weekly basis to review progress within work streams, to drive delivery on the action plan and to identify new learning.	In place/embedded	T Henson
	The Quality Improvement Board provides regular updates to the ASC Quality Assurance Board, Senior Management team and Executive Director.	In place/embedded	T Henson
	Safeguarding leadership arrangements have been reviewed and additional investment has been made into the team as well as a transfer of the operational structure into the Commissioning, Safeguarding and Performance team to enable more independent scrutiny and oversight. Monitoring & review of leadership arrangements is ongoing.	In place/embedded	G Poulter
	We have reviewed our approach to learning reviews and serious incidents. We have revised policy and process in order to ensure appropriate and consistent monitoring, review and learning mechanisms are established and embedded. To embed by July 2022.	In place/embedded	G Poulter
	Additional investment has been made into the ASC Quality and Compliance team in order to ensure we have a focused approach to audit, monitoring and continuous improvement.	In place/embedded	G Poulter
	An initial performance dashboard has been developed which currently monitors the performance of our care homes by measuring across six key metrics; staffing vacancies, occupancy, incidents, training, complaints and CQC rating. This dashboard is further being developed to capture quality, compliance and safeguarding activity across the whole department. Both the high-level dashboard, and a more detailed report sitting underneath, are sent to all relevant operational staff and are also monitored by the Quality and Compliance Team. To embed by August 2022.	In place/embedded	T Henson

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	Senior Managers are updated in relation to any significant incidents through a newly embedded 'notifiable incident form'.	In place/embedded	D Sullivan/ T Henson
	A Quality Assurance Board that meets on a quarterly basis, and which receives highlight reports at each meeting from workstream leads who are responsible for a specific area of quality assurance across the ASC department, has been established to oversee progress on actions and receive highlight reports on meets on a six weekly basis to review progress within work streams, to drive delivery on the action plan and to identify new learning. This board has provided regular verbal updates to the ASC Senior Management team, Executive Director and Portfolio Holder. The board has been providing written updates on progress on a quarterly basis to the Executive Director and Portfolio Holder. Next report is due on 27 June 2022.	In place/embedded	S Stevens
	A data dashboard which was initially developed for our transformation programme, is being further developed to ensure that accurate reporting on specific areas of Quality assurance can be maintained in one place to support monitoring and reporting to the Quality Assurance Board. Complete by October 2022.	In place/embedded	L Elba-Porter

Risk Description	**Protection of vulnerable children** Failure to protect the most vulnerable in our society could lead to significant fines; special measures; litigation; decreased staff morale; reputational damage.			
Risk Owner	**Carol Cammiss**	Executive Director, Children's Services		
Last update	Period: 2022-23 Q4		Date: 31 March 2023	
Target (score)	AMBER (8)	Probability: Unlikely (2)		Impact: Extremely High (4)
Current (score)	**AMBER (8)**	Probability: Probable (4)		Impact: Moderate (2)

Assessment history

2021-22	Q1	Q2 (Pre-Sep 2021) / Q2 (Post-Sep 2021)	Q3	Q4	2022-23	Q1	Q2	Q3	Q4

Other	**Reputation impact assessment**	HIGH	**Financial impact assessment**	Band 3
Progress update	Risk can never be eliminated entirely, however Derbyshire continuously seeks to strengthen risk management and practice in cases known to the Authority. As demonstrated recently, heightened media attention at times of national or local tragedy can impact on referral rates and capacity to respond for a variety of reasons. However, the overall impact on the Council would be expected to be moderate and has been rescored accordingly for 2021-22 Q4. A range of robust mitigation measures are in place and will continue. The council has robust policies and procedures in place to safeguard vulnerable children, supported by training and development, supervision and quality assurance processes. Our ongoing quality assurance programme indicates that practice has strengthened and the vast majority of casework in our reflective case reviews is judged to be good or better. Structures and capacity within frontline teams have been reviewed, in order to reduce caseloads and increase support for practitioners via reflective supervision and management oversight. Successful recruitment and retention strategies have reduced turnover and vacancies in social care over the past two years, leading to greater workforce stability.			

	More recently, the higher turnover that we had seen in some Localities during the pandemic appears to have levelled off, however periodic strains in capacity are unavoidable with the regularity of workforce changes. Supportive communications have been shared with the workforce regarding the respect and value of their hard work and practice with children and families. These measures provide a firm foundation for ongoing service improvement and the reduction of risks to children. **2022-23 Q2 Update:** No change to the risk this quarter. **2022-23 Q3 Update:** No change to the risk this quarter. Appropriate actions and mitigations continue to be in place. **2022-23 Q4 Update:** No change to the risk this quarter. Appropriate actions and mitigations continue to be in place.

Controls	Description	Status	Owner
	Robust policies & procedures, training, supervision and QA in place. Supported by strong independent quality assurance function.	In place/embedded	A Noble
	Derbyshire Safeguarding Childrens Partnership embedding and supporting quality assurance and development of multi-agency safeguarding practice.	In progress/taking effect	J Gracey
	Systemic practice operating model; integration of Early Help and Social Care.	In place/embedded	A Noble
	Formal and informal learning, coaching and mentoring. Work underway to further strengthen L&D approaches	In progress/taking effect	A Noble/ L&D team
	Robust procedures within Starting point to embed multi agency thresholds and pathways. Further work across DDSCP to strengthen partnership responsibility.	In progress/taking effect	P Lambert

Page 693	Reviewing of staffing, training and caseloads - establishing ongoing funding of service structure and capacity.	In progress/taking effect	A Noble
	Practice improvement plans with oversight by QA Board chaired by Exec Director. Regular performance monitoring and accountability at all levels across children's safeguarding and SEND services. Plan recently reviewed following achievement of original actions.	In place/embedded	P Lambert
	Supervision policy and management oversight reviewed and strengthened.	In place/embedded	P Lambert
	Workforce strategy - recruitment and retention of social workers improved; supporting more stable workforce and reducing remaining capacity pressures. Strategies developed and implemented to address recent staffing challenges in Locality areas. Longer term approaches to recruitment and retention being explored.	In progress/taking effect	P Lambert
	Strengthened procedures via DDSCP to identify and embed learning from serious case reviews/child practice reviews. Implementation of regular assurance reports to CMT on learning reviews and actions to strengthen practice.	In progress/taking effect	A Noble
	Systems in place to report regularly and learn from complaints.	In place/embedded	D Cohen
	Systems in place to ensure a joined-up approach to managing risks for children during COVID-19; strengthened multi-agency working.	In place/embedded	A Noble/ D Careless
	Ensure a sufficiency of placements for children entering care including unaccompanied asylum seeking children (UASC).	In progress/taking effect	J Gracey

Risk Description	**Maintenance of property assets** Failure to maintain our assets could lead to significant fines; significant litigation; decreased staff morale; reputational damage; HSE investigation.									
Risk Owner	**Janet Scholes**	Director of Property								
Last update	Period:	2022-23 Q4	Date:	26 May 2023						
Target (score)	AMBER (8) by 31/03/2023	Probability:	Unlikely (2)	Impact:	Extremely High (4)					
Current (score)	**RED (12)**	Probability:	Possible (3)	Impact:	Extremely High (4)					
Assessment history	2021-22	Q1	Q2 (Pre-Sep 2021) Q2 (Post-Sep 2021)	Q3	Q4	2022-23	Q1	Q2	Q3	Q4
Other	**Reputation impact assessment**	MODERATE	**Financial impact assessment**	Band 4						
Progress update	In February 2021 a new Governance and decision arrangements framework was presented to Cabinet and agreed. Resources within operational service areas have been refocused on priority risk areas of Statutory Compliance and a new administrative and contract management team for Statutory Compliance areas has been implemented. Created a Statutory Compliance Policy. New Asset Management Strategy approved by members in June 2022. Programme to challenge every asset and ensure that a robust plan is in place for its management is well underway and ahead of schedule. Maintenance liabilities, fitness for purpose, performance have been benchmarked and are recorded against each asset, so that priority programmes can be implemented to address issues. A Maintenance Strategy has been prepared and approved by SMT. Monthly governance meetings to oversee the maintenance programme in place.									

	Facilities Management Strategy signed off by SMT. Monthly accommodation group picks up issues arising from service areas around their use of space. Links to the Modern Ways of Working Programme to plan future space requirements. **2022-23 Q2 Update:** No change to the risk this quarter. 2022-23 Q3 Update: Asset Management Strategy and Asset Management Plan now in place. Maintenance Strategy approved by Senior Management Team (SMT) and governance meetings in place. Facilities Management Strategy approved by SMT. **2022-23 Q4 Update:** Review of the delivery of maintenance function is underway, with teams realigned to essential skills and requirements of the estate. Focus on planned and preventative maintenance for the future, with monthly governance group in place. Emergency and urgent work being carried out currently. Maintenance strategy going to cabinet in July. Asset review programme remains ahead of programme target.		
Controls	**Description**	**Status**	**Owner**
	Decision taken to adopt Asset Management Strategy and Asset Management Plan in place of previous Framework by June 2022. Asset Management Strategy sign off at CAMG and Derbyshire Property Board and to go to cabinet on 28th July 2022.	In place/embedded	J Scholes
	Governance and Performance Framework is a key deliverable in the service plan.	In place/embedded	G Massey
	A 5-year programme of individual asset plans for all council assets has been developed and is underway to complete by April 2025.	In progress/taking effect	J Scholes
	5-year programme of individual Condition Surveys for all council assets.	In place/embedded	S Brown

	Annual Premises Reviews to 100% of managed estate.	In place/embedded	S Brown
	Planned Preventative Maintenance plans to align with Asset Plans.	In progress/taking effect	S Brown
	Dedicated resource to Statutory Compliance – administration, contract management and operational service provision.	In place/embedded	S Brown
	Repairs and Maintenance Strategy has been prepared awaiting final sign off.	In progress/taking effect	S Brown

Risk Description	**Inability to maintain Highways and Countryside assets to an appropriate standard** Council’s ability to maintain Highways and Countryside Service assets to a requisite standard, as judged both by industry practice and resident perception. (Note that other assets maintained by Place Department are considered to be Departmentally-managed risks, in line with assets maintained by other Departments. Highways and Countryside Service assets, because of their number and nature are considered a strategic risk)									
Risk Owner	**Chris Henning**			Executive Director, Place						
Last update	Period:	2022-23 Q4			Date:		31 March 2023			
Target (score)	See Progress Update			Probability:			Impact:			
Current (score)	**See Progress Update**			Probability:			Impact:			
Assessment history	2021-22	Q1	Q2 (Pre-Sep 2021) Q2 (Post-Sep 2021)	Q3	Q4	2022-23	Q1	Q2	Q3	Q4
Other	**Reputation impact assessment**		HIGH			**Financial impact assessment**		Band 5		
Progress update	This has been reassessed as a ‘red’ risk because of the period of under-investment in both Highways and Countryside Service assets. This under-investment is now being addressed – particularly through the Highways Capital programme, which is designed to deliver the Council Plan commitment for £120m capital investment over 3 years. However, issues such as landslips, retaining walls and ageing structures cannot all be addressed in the short-term or within current budgets. The ability of the County Council to adapt to climate change will form a particular challenge as the County’s highways assets are prone to issues such as landslips. Following a Departmental Management Team meeting, and additional risk focussed meeting, it has been agreed that on the new corporate risk register template this strategic risk will be separated out into the 3 divisional areas within Place; Highways, Environmental & Transport and Economy & Regeneration. This will ensure the risk owner, risk and mitigation measures are clearly defined. The divisions will score their specific risk separately. Note that this risk focuses on Highways and Countryside Service Assets. Other assets maintained by Place Department are considered to be Departmentally-managed risks, in line with assets maintained by other Departments. Highways assets (including									

	footpaths) and Countryside Service assets (including waterbodies), because of their number and nature are considered a strategic risk). A Corporate Property Asset Management Framework is in place that includes Place. Working with Property Services, Service Asset Management Plans are being developed. Representatives from Place, Property and Corporate Finance are seeking to develop a holistic strategy and approach to how individual plans, processes and procedures will fit together to form the Council's joined up approach. The Capital Strategy for 2022-22 provides a high-level overview of how capital expenditure and capital financing contribute to the provision of local public services. As the risks and mitigations vary significantly across the 3 divisions, and within each division, the scores for each division on the new template will reflect therefore a more realistic risk rating. The Highways and Flooding score has remained GREEN, as above for Quarter 1. **Highways and Flooding:** This risk was reviewed within the development of the FHM and Highways Capital Programmes leading to a change in assessment from 2021-22 Q3. From 2022-23 Q1, the maintenance of all Place assets will be scoped and disaggregated into divisional areas to ensure that the risks are appropriately managed with mitigation measures and risk owners clearly identified. The current risk was updated to reflect a more accurate risk description, moving away from the potential consequence led narrative; with failure to maintain our assets leading to potential significant fines, significant litigation, decreased staff morale, reputational damage and HSE investigation. Evaluating the current risk and mitigations in place against the risk has led to this risk moving from Red to Green. Derbyshire's approach to Highways Asset Management is set out in the 2016 Code of Practice for Well-Managed Highway Infrastructure. These required local authorities to adopt a risk based, integrated asset management approach to maintaining highway infrastructure by October 2018. These approaches are supported by the new funding models for local authority highway maintenance.

Page 699	**2022-23 Q2 Update:** No change to the risk this quarter. Amber (8). **2022-23 Q3 Update:** 'Derbyshire Highways Transformation programme is in place that will ultimately maintain the Highways assets and mitigate against risks associated with not maintaining the assets. The programme will be delivered and implemented by 1 April 2025. The Highways Capital Programme is well on track this year, again investing in the Highways assets. Target: Green (6) by 1 April 2024; Current: Amber (8). **2022-23 Q4 Update:** Derbyshire Highways Transformation programme is in place that will ultimately maintain the Highways assets and mitigate against risks associated with not maintaining the assets. The programme will be delivered and implemented by 1.4.2025. The Highways Capital Programme is well on track this year, again investing in the Highways assets. **Environment & Transport** Using the new divisional approach to risk it has been identified that failure to maintain assets is a key risk particularly for Countryside and Waste Services. More detailed work is required but initially evaluating the current risk and mitigations in place against the risk has resulted in this risk being scored a red. Heads of Service are responsible for ensuring asset management systems and inspection regimes are in place in accordance with statutory duties and good practice in the relevant field. Details are contained in various policies and procedural documents held within service areas; however further substantive work is required to put asset regimes in place for all assets. The Countryside Service has in excess of 121 assets ranging from 4,478 acres of land including Sites of Special Scientific Interest (SSSIs), reservoirs, canals, Greenways and physical structures. A key area of focus is the management of Waterbodies. The Waste Management Service has 9 Household Waste Recycling Centres (HWRCs) and a waste transfer station. Particular areas of focus remain the development of asset management regimes for waterbodies notably reservoirs and canals; structures (e.g. bridges) and HWRCs. **2022-23 Q2 Update:** Continuing to work with VERTAS and Property on the grounds maintenance contracts for sites. Work on the management of assets is on-going with an assets risk register now in place for Countryside Structures.

	Capital bids submitted for inspections for emergency repairs for Principal bridge inspections and preventative maintenance. Red (12). **2022-23 Q3 Update:** New Countryside Service Business Plan has been approved. This includes priority work to review the Countryside portfolio of sites to determine their grounds maintenance and capital programme requirements. A key factor is ensuring the sites and their infrastructure (including waterbodies) meet health and safety requirements. The capital bid referenced in the Q2 update have been unsuccessful and discussions with the Highways Team regarding alternative funding are expected to take place in Q4. Work to develop canal Asset Management Plans has commenced. Target: Green (4) by tba; Current: Red (12). **2022-23 Q4 Update:** Work during Q4 has focused on ensuring Matters in the Interests of Safety are addressed at Osbornes Pond, Shipley Country Park - these works are scheduled to be completed by 14 April 2023. There remains a need to establish an inventory and asset management programme for the infrastructure on the Council's Countryside Sites, initial work has been undertaken to collate data, work is now underway to transpose that into the Asset Management System (AMX) maintained by Highways. A briefing note for Place DMT will be prepared to outline the key issues and propose solutions / next steps / resource implications. **Economy & Regeneration** Using the new divisional approach to risk it has been identified that the condition of Buxton Museum poses the greatest asset-related risk in terms of staff and visitor safety and ability to maintain service delivery. This issue has been shared between Corporate Property and the Libraries and Museums Service and is being managed as departmental risk wider issues, including the general condition of library buildings, are being picked up through regular dialogue with Property colleagues. **2022-23 Q2 Update:** Corporate Property are costing treatment and repairs to the building. If they decide not to fund the works, alternative proposals for the museum will need to be developed. Amber (10). **2022-23 Q3 Update:** Corporate Property is investigating options for relocating the museum. Target: Blue (2) by tba; Current: Red (12). **2022-23 Q4 Update:** An Expression of Interest for the ACE MEND funding is being submitted in April.

Controls	Description	Status	Owner
	The Highways Infrastructure Asset Management Policy and Strategy documents set out delivery of road-related services against our key priorities taking into consideration residents' needs, the condition of the asset and how best use can be made of available resources. The emphasis is on managing our infrastructure assets efficiently and effectively by focusing on investing in long-term planned maintenance instead of short-term repairs. Documentation is reviewed biennially.	In progress/taking effect	J Gould
	Highway Network Management Plan - technical document which specifies how the department manages and provides change to Derbyshire's highway network. The document follows a review of existing policies and procedures to reflect the change to the risk-based approach set out in the HIAMs documentation and the criteria to manage the network. It reflects changes to materials and techniques within the industry, relevant legislation and current environmental guidance and practice.	In progress/taking effect	J Gould
	Environmental Management System (EMS) - ISO 14001 Certification – Yearly Audit programme and three yearly recertification.	In place/embedded	J Gould
	Quality Management System (QMS) – ISO 9001-2015 Certification - Yearly Audit programme and three yearly recertification.	In place/embedded	D Massey
	Regular (quarterly) meetings set up between Corporate Property and Libraries and Heritage Service to review condition of buildings, repairs and maintenance issues and investment plan and confirm impacts on service delivery.	In place/embedded	J Battye

Risk Description	**Failure to understand or respond adequately to new or changing legislation and regulation**									
	Lack of knowledge and understanding of statutory duties meaning the Council is at increased risk of special measures, HSE investigation, corporate manslaughter charges, personal prosecution and insurers refusing to provide indemnity on property or liability claims.									
Risk Owner	**Helen Barrington**			Director of Legal and Democratic Services						
Last update	Period:	2022-23 Q4			Date:	30 April 2023				
Target (score)	AMBER (8) by 31/03/2024			Probability:	Unlikely (2)		Impact:	Extremely High (4)		
Current (score)	**RED (20)**			Probability:	Almost Certain (5)		Impact:	Extremely High (4)		
Assessment history	2021-22	Q1	Q2 (Pre-Sep 2021) Q2 (Post-Sep 2021)	Q3	Q4	2022-23	Q1	Q2	Q3	Q4
Other	**Reputation impact assessment**		HIGH			**Financial impact assessment**		Band 7		
Progress update	This corporate risk was reviewed by the new Director of Legal and Democratic Services at the end of 2022-23 Q4. During 2022-23, significant progress has been made to procure on-line legal resources and this is due to go live in quarter 1 2023-24. The introduction of this resource will result in the risk rating reduce to amber. The new feedback / complaints system continues to be rolled out in Childrens Services in line with the agreed roadmap and in readiness for a January 2024 'go live'. Options to enhance VAT knowledge are still under consideration, however, the Council continues to utilise external VAT advice when it is appropriate to do so. The Council had an inspection from HMRC in October 2022 to review its VAT arrangements. The inspection found no significant issues. Opportunity to develop robust relationship with the external auditors who highlight statutory/legislative changes to officers early so that they can be addressed.									

	2022-23 Q2 Update: Update requested from Legal and Democratic Services. **2022-23 Q3 Update:** Update requested from Legal and Democratic Services. **2022-23 Q4 Update:** Update provided.		
Controls	**Description**	**Status**	**Owner**
	The Applicable Legislation Register containing principal current legislation that is appliable to the Council is published on the intranet. The Register is reviewed by the Information Governance Group annually, or as required, following additions and updates to legislation. https://staff.derbyshire.gov.uk/site-elements/documents/information-security/applicable-legislation-register.pdf Need to ensure that this Register is updated regularly and promoted more widely.	In place/embedded	H Barrington
	All draft reports to Members are scrutinised for legal implications by Legal Services and relevant Council procedures provide for legal advice to be taken at appropriate stages.	In place/embedded	H Barrington
	Monitoring Officer, Deputy Monitoring Officer, Section 151 Officer and Deputy Section 151 officer in post. Requirement for the posts to be legally or CCAB qualified respectively.	In place/embedded	H Barrington / M Kenyon
	Data Protection Officer is in post with deputy DPOs in place to provide support and appropriate cover.	In place/embedded	J Lakin
	A range of qualified and experienced officers are in post across the major functions. Professional officers are required to maintain CPD. Relevant training and development opportunities are also provided.	In place/embedded	Individual service areas

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	Senior officers are members of local and national networks and forums to support, share best practice and information, including Derbyshire Monitoring Officers Group, Lawyers in Local Government, EM Lawshare, Derbyshire Finance Officers Association, Society of County Treasurers, Midlands Highway Alliance, engagement with DfE and Ofsted, Local Family Justice Board, East Midlands improvement alliance led by Directors of Children's Services etc.	In place/embedded	Individual service areas
	Annual membership of relevant professional bodies for example: Association of Public Service Excellence (APSE), Chartered Institute of Public Finance and Accountancy (CIPFA), LGComms for Communications and CCMA for Customer Service, Association of Directors of Children's Services that ensures officers are alerted to changes in legislation.	In place/embedded	Individual service areas
	Officers subscribe to relevant professional updates and bulletins for information about changes in legislation, including CIPFA Finance Advisory Network, Public Sector Tax, Practical Law, Local Government Lawyer, LGA, LGiU.	In place/embedded	Individual service areas
	External and internal audits/quality assurance are conducted on a variety of services in relation to quality, environmental, information governance and health and safety.	In place/embedded	Individual service areas
	External advisers and consultants with specialised knowledge and experience in particular fields of expertise are used as required.	In place/embedded	Individual service areas
	Complaints to the Local Government and Social Care Ombudsman are dealt with by a competent and legally qualified solicitor, who is able to identify trends and areas of non-compliance with legislation. Robust improvement plans can then be developed with strong governance arrangements to address areas of weaker or poor practice and ensure legislative compliance.	In place/embedded	H Barrington/ P Peat

	Claims against the Council are assessed on a case by case basis to establish whether the claim has arisen due to failure to comply with legislation. Data shows that there is good understanding of legislation and overall compliance with it. The prospects of success of defending claims are predominantly reduced as a result of insufficient record keeping to evidence compliance.	In place/embedded	H Barrington
	Complaints are currently processed within departments without corporate oversight and comprehensive records. This is in the process of delivery change to support central monitoring and oversight that will enable trends to be identified and addressed. The new feedback / complaints system continues to be rolled out to all departments and the model for reporting and process improvements is being worked on. During 2022-23, work has continued to progress to migrate Children's Services complaints and feedback from the existing system over to Granicus in line with the agreed roadmap and in readiness for a January 2024 'go live'. Place and Adult Social Care have agreed to implement this system and are on the road map for delivery during late 2023 or early 2024. However, there is still a considerable amount of work to be undertaken for each service area before we will be in a position to extract meaningful data around complaints and compliments. This work is presently under review in terms of feasibility, timescales and ICT prioritisation. The Assistant Director Communications and Customers will continue to bring regular complaints reports and an update on progress to Corporate Management Team and Governance Ethics and Standards Committee.	In progress/taking effect	C Burton
	Legal Services subscribe to Legal Resources as a reference source when giving legal advice to the Council, however this is predominantly hard copy	In place/embedded	H Barrington

	specialist encyclopaedias. It subscribes to one online package PLC, which covers certain areas of law but not others. Free online resources are available and made use of such as Legislation.gov.uk. Hard copy resources are updated to incorporate new legislation, however there is inevitably a delay in legislative changes taking effect and being published in hard copy form. In addition, as council officers continue to work flexibly, access to hard copy materials is limited. There is a significant risk that officers may inadvertently give incorrect advice due to lack of access to up to date and accurate legal resources.		
	A move to online resources and procurement of an additional package would ensure that legislative reference materials are updated almost instantaneously and available remotely. Industry standard resources also include 'alert' functions to ensure officers are aware of legislative changes in their specialist areas. This would ensure that lawyers have access to the most up to date legislation and case law when giving general advice or specifically on decision reports. It also provides an opportunity for lawyers to notify client departments of changes in legislation they may not be aware of. During 2022-23 significant progress has been made to identify appropriate resources and approval has been given to procure a new provider. The online resource will go live in quarter 1 2023-24, at which stage the risk rating will reduce.	In progress/taking effect	H Barrington
Page 706	The lack of a dedicated VAT Officer has the risk of penalties from HMRC in the event of a VAT breach. However, a recent HMRC inspection did not highlight any significant weaknesses in the Council's processes. The Council continues to utilise external VAT advice when it is appropriate to do so. To complete by 31/03/2023.	In progress/taking effect	P Stone
	Opportunity to develop robust relationship with the external auditors who highlight statutory/legislative changes to officers early so that they can be addressed. To complete by 31/03/2024.	Proposed/not yet approved	P Stone

Risks previously on the Strategic Risk Register (for information):

These risks are under review with the relevant teams.

Risk Description	**Effective change management** The Council is undergoing significant organisational change from financial pressure or political change which could create significant workforce issues around having the right skills, behaviours, productivity and capacity, each of which may adversely impact upon service delivery if not managed effectively. The effect of implementing organisational change, could result in adverse employee relations and impacts on the Council's workforce coupled with pressure for increased productivity should effective change management and employee engagement not be in place. The lack of effective change management could lead to significant impact upon stakeholders and partnerships; potential litigation; fines; risk of injury or death and unplanned spending increases.									
Risk Owner				Director of Organisation Development and Policy						
Last update	Period:	2021-22 Q2			Date:	30 September 2022				
Target (score)	GREEN (6)			Probability:	Possible (3)			Impact:	Moderate (2)	
Current (score)	GREEN (6)			Probability:	Possible (3)			Impact:	Moderate (2)	
Assessment history	2020-21	Q4	2021-22	Q1	Q2 (Pre-Sep 2021) Q2 (Post-Sep 2021)	Q3	Q4	2022-23	Q1	Q2
Other	**Reputation impact assessment**		HIGH		**Financial impact assessment**			Band 4		
Progress update	Work has taken place to further develop the whole council strategic transformation case identified as a key priority to drive forward Phase 2 of the Council's Enterprising Council approach. The initial work has focused on developing a									

	whole council view of change activity across the organisation which will support the identification of priority programmes of work and the targeting of resources. A new centralised programme management office is currently in the process of being developed and this will ensure that the council develops a consistent approach to project/programme management and business planning across the organisation. The initial work has focussed on reviewing the existing change and transformation projects and programmes taking place across the Council. The PMO will also be responsible for ensuring the Council has the necessary skills, capacity and capability to deliver identify change. A new Assistant Director – Business Change has been appointed for twelve months creating additional capacity to support the effective implementation of the strategic transformation case and the PMO. Employee engagement and wellbeing is central to the development of the Council's people strategy with an employee engagement cycle now in place and a number of employee wellbeing initiatives having been implemented (i.e. employee assistance programme, Thrive app). A cycle of regular pulse surveys and local team action planning has been implemented which will complement the Council's wider approach to engagement (Listen and Engage, Shape and Respond). The approach to engaging leaders has been reviewed and the Shaping the Future forum was launched on 27th April 2022. Feedback also suggested the need to be clear about how we, engage, develop and inform leaders and a wider framework has been developed to support this. The council continues to progress and review its wellbeing strategy actions plans, focused on people, data and systems to ensure the strategy is successfully embedded. The wellbeing strategy is being reviewed by end March 2022 to ensure it remains fit for purpose. **2022-23 Q2 Update:** Risk under review with PMO project.		
Controls	**Description**	**Status**	**Owner**
	Development of strategic transformation case and prioritised council wide programme of transformation.	In progress/taking effect	

	Creation of a centralised Programme Management Office for the Council.	In progress/taking effect	
	Development of effective governance arrangements to monitor and evaluate agreed change activity.	In progress/taking effect	
	Deployment of the employee engagement cycle as approved by CMT on 8 February 2020 and further support on 26 April 2022, underpinned by departmental and organisational employee engagement forums.	In progress/taking effect	J Skila
	The revised approach to engaging, developing and informing leaders to be deployed throughout 2022/23.	In progress/taking effect	J Skila
	Ongoing deployment, review and monitoring of the council's wellbeing strategy and associated action plans.	In progress/taking effect	J Skila

<table>
<tr><td rowspan="2">Risk Description</td><td colspan="10">Ineffectual workforce planning</td></tr>
<tr><td colspan="10">A failure to recruit and retain experienced staff and a lack of future talent development and succession planning may restrict the organisation's ability to ensure effective continuity of key skills and knowledge at all levels including leadership skills and behaviours. This could result in increased vacancy and attrition rates, and lack of resource and skills to enable effective service delivery.</td></tr>
<tr><td>Risk Owner</td><td colspan="3"></td><td colspan="7">Director of Organisation Development and Policy</td></tr>
<tr><td>Last update</td><td colspan="2">Period:</td><td colspan="3">2021-22 Q2</td><td colspan="2">Date:</td><td colspan="3">30 September 2022</td></tr>
<tr><td>Target (score)</td><td colspan="3">GREEN (6)</td><td colspan="2">Probability:</td><td colspan="2">Possible (3)</td><td>Impact:</td><td colspan="2">Moderate (2)</td></tr>
<tr><td>Current (score)</td><td colspan="3">GREEN (6)</td><td colspan="2">Probability:</td><td colspan="2">Possible (3)</td><td>Impact:</td><td colspan="2">Moderate (2)</td></tr>
<tr><td>Assessment history</td><td>2020-21</td><td>Q4</td><td>2021-22</td><td>Q1</td><td>Q2
(Pre-Sep 2021)
Q2
(Post-Sep 2021)</td><td>Q3</td><td>Q4</td><td>2022-23</td><td>Q1</td><td>Q2</td></tr>
<tr><td>Other</td><td colspan="2">Reputation impact assessment</td><td colspan="3">LOW</td><td colspan="2">Financial impact assessment</td><td colspan="3">Band 3</td></tr>
<tr><td>Progress update</td><td colspan="10">Aligned to the development of the council's people strategy, core people priorities have been defined and approved which include focus on the attraction and retention of the workforce and responsive workforce plans.

A review of recruitment services has been deployed, coupled with a revised learning and development operating model. This includes consideration of the organisation's approach to succession planning and performance management which will be central to our future workforce planning approaches.

Workforce planning commenced during 21/22 focusing on areas with the most significant workforce challenges diagnosed through assessment of vacancies, turnover and agency spend coupled with national shortages in some areas and specialist roles (particularly in Place).

These pilots have enabled the workforce planning offer to be established alongside quarterly updates to the service. The areas where support has commenced are:</td></tr>
</table>

<table>
<tr><td></td><td colspan="3">– Early Help & Safeguarding – plans established
– Direct Care – plans established
– All directorates in Place – plans in development with the Directors
– Legal and Democratic Services / Finance & ICT – limited progress due to immediate challenges in supporting Place.

The key elements of the support offered by HR being:
• Provide core metrics, reviewed on a quarterly basis
• Capture issues identified from the data, current known issues, priorities identified within the People Plan
• Agree the priorities of the service to prioritise the plan
• Work with the matrix HR teams to agree leads for the actions in the plan
• Identify action leads to propose priorities and delivery timescale
• Quarterly updates to the service on progress, priorities and review of the core metrics to analyse trends
• Workforce planning support and approach should be adaptive to the need of the service and to fluctuating priorities

Workforce planning remains a manager and departmental responsibility and we have seen good engagement from services to date. Further rollout of the approach will be considered with departments.

Learning and Development plans are key to delivering effective workforce planning with plans in place aligned to the Learning and Development Strategy to address key areas.

2022-23 Q2 Update: Risk under review with HR.</td></tr>
<tr><td rowspan="3">Controls</td><td>Description</td><td>Status</td><td>Owner</td></tr>
<tr><td>Continue to understand our workforce, the market and ongoing development and delivery of strategic workforce plans aligned to high priority workforce groups supported by clear deliverable plans leading to a reduction in reliance on agency usage and spend.</td><td>In progress/taking effect</td><td>J Skila</td></tr>
<tr><td>Further develop our total reward offering, implementing salary sacrifice schemes and consideration of an employee benefit scheme. We will also develop our Employee Value Proposition (EVP), online presence and</td><td>In progress/taking effect</td><td>J Skila</td></tr>
</table>

	ensure our terms and conditions and flexible working policies are fit for purpose and support our new ways of working.		
	Continue to develop our recruitment offer by improving processes in particular through a review of our vacancy control processes, improvements to our careers site, utilisation of social media and raising the awareness of our EVP following deployment of the Council's recruitment services review.	In progress/taking effect	J Skila
	Consider how we introduce learning pathways and further develop our approach to employee induction as part of our Talent Development plan in 2022/23.	In progress/taking effect	J Skila

Appendix 2A

Corporate risk scoring tables (pre-September 2021)

Source: Derbyshire County Council Risk Management Strategy 2019-21 (v2.7)

Risk severity matrix

Likelihood	5	Moderate (5)	High (10)	Extreme (15)	Extreme (20)	Extreme (25)
	4	Low (4)	Moderate (8)	High (12)	Extreme (16)	Extreme (20)
	3	Low (3)	Moderate (6)	Moderate (9)	High (12)	Extreme (15)
	2	Low (2)	Low (4)	Moderate (6)	Moderate (8)	High (10)
	1	Low (1)	Low (2)	Low (3)	Low (4)	Moderate (5)
		1	2	3	4	5
		Impact				

Probability assessment criteria

Scale	Description
5	ALMOST CERTAIN: The event is expected to occur or occurs regularly (monthly, quarterly or biannual)
4	PROBABLE: The event will probably occur (annually)
3	POSSIBLE: The event may occur (1 incident in 2 years)
2	UNLIKELY: The event could occur (1 incident in 5 years)
1	RARE: The event may occur in certain extreme circumstances (1 Incident in 10 years or above)

Impact assessment criteria by risk category

		Risk Categories (highest scoring category used for overall score)								
Scale	**Scale Description**	**Financial**	**Reputational**	**Physical Injury/Health and Safety**	**Environmental Damage**	**Service/ Operational Disruption/ Key Targets/ Objectives**	**Statutory Duties/ legal Implications**	**Partnership Implications**	**Information Governance**	**Stakeholder Implications**
5	**Very High**	>£25,000,000	Lasting or permanent brand damage resulting from adverse comments in national press and media. Members/Officers forced to resign	Death or severe life-changing injuries	Major national or international	Severe disruption/loss of service more than 7 days	Multiple Litigation	Complete failure / breakdown of partnership	Significant breach, extensive national press, ICO fines, loss of ISO 27001 certification	Stakeholders would be unable to pursue their rights and entitlement and may face life threatening consequences
4	**High**	£10,000,000 to <£25,000,000	Temporary brand damage from coverage in national press/media	Extensive or multiple injuries/ Incidents reportable to HSE	Major local impact	Disruption/Loss of service less than 7 days	Litigation	Significant impact on partnership or most of expected benefits fail	Larger breach, no sensitive data loss local press coverage Or Minor breach, sensitive data loss local press coverage	Stakeholders would experience considerable difficulty in pursuing rights and entitlements
3	**Medium**	£5,000,000 to <£10,000,000	Extensive coverage in regional press/radio/TV/social media	Serious injuries/ incidents reportable to HSE	Moderate locally	Disruption/Loss of service less than 48 hours	Ombudsman	Adverse effect on partnering arrangements	Larger breach, no sensitive data loss and internally controlled Or Minor breach, sensitive data loss internally controlled	Some minor effects on the ability of stakeholders to pursue rights and entitlements, e.g. other sources or avenues would not be available to stakeholders
2	**Low**	£2,5000,000 to <£5,000,000	Minor adverse comments in regional press/social media	Minor (i.e. first aid treatment)/ No time lost from work	Minor locally	Internal disruption only, no loss of service	Individual Claims	Minimal Impact on Partnership	Individual breach no loss of sensitive data	Minimal impact without needing to look at other sources or avenues
1	**Negligible**	<£2,500,000	Minimal adverse comments with minimal press/social media	None	None/ Insignificant	No loss of service	No impact	No Impact	No impact	No impact

Appendix 2B

Corporate risk scoring tables (from September 2021)

Source: Derbyshire County Council Corporate Risk Management Strategy 2021-25 (v3.1)

Risk severity matrix

Impact Score	Extremely high	4	Green (4)	Amber (8)	Red (12)	Red (16)	Red (20)
	High	3	Green (3)	Green (6)	Amber (9)	Red (12)	Red (15)
	Moderate	2	Blue (2)	Green (4)	Green (6)	Amber (8)	Amber (10)
	Low	1	Blue (1)	Blue (2)	Green (3)	Green (4)	Green (5)
	None	0	Blue (0)	Blue (0)	Blue (0)	Blue (0)	Blue (0)
			1	2	3	4	5
			Rare	Unlikely	Possible	Probable	Almost certain
			Likelihood Score				

Likelihood scoring

5	**Almost certain**	The event is expected to occur every year
4	**Probable**	The event could occur every year
3	**Possible**	The event could occur every two years
2	**Unlikely**	The event could occur every five years
1	**Rare**	The event could occur every 10 years or longer

Impact scoring

The highest scoring area (the ‘primary impact’) used to assess risk severity.

	Impact grading	Public and employee health, safety and wellbeing	Community	Economy	Environment	Service Disruption	Skills capability	Legal	Contracts and Partnerships	Information Security
4	Extremely high	Substantial level of harm to the health, safety and wellbeing of the community, members of the public or employees	Substantial disadvantage to large parts of the community and/or many vulnerable residents	Substantial negative impact on the County’s economy, including hard infrastructure	International and/or national environmental damage	Substantial external or internal disruption and/or loss of service (more than seven days)	Substantial under-performance from skills gaps and/or shortages	Substantial legal action, claims and/or and penalties against or by the Council	Substantial impact on service delivery from a contract and/or partnership failure	Substantial breach; Information Commissioner Office (ICO) fine; loss of ISO 27001 certification
3	High	Significant level of harm to the health, safety and wellbeing of the community, members of the public or employees	Significant disadvantage to large parts of the community and/or some vulnerable residents	Significant negative impact on the County’s economy, including hard infrastructure	Significant regional environmental damage and/or failure to meet all or most internal climate change targets	Significant external or internal disruption and/or loss of service (between three to seven days)	Significant under-performance from skills gaps and/or shortages	Significant legal action, claims and/or penalties against or by the Council	Significant impact on service delivery from a contract and/or partnership failure	Significant external breach with no loss of sensitive data; or minor external breach with loss of sensitive data

	Impact grading	Public and employee health, safety and wellbeing	Community	Economy	Environment	Service Disruption	Skills capability	Legal	Contracts and Partnerships	Information Security
2	**Moderate**	Moderate level of harm to the health, safety and wellbeing of the community, members of the public or employees	Moderate disadvantage to large parts of the community and/or some vulnerable residents	Moderate negative impact on the County's economy, including hard infrastructure	Moderate regional and/or major local environmental damage and/or failure to meet many internal climate change targets	Moderate external or internal disruption and/or loss of service (between 24 to 48 hours)	Moderate under-performance from skills gaps and/or shortages	Moderate legal action, claims and/or penalties against or by the Council	Moderate impact on service delivery from a contract and/or partnership failure	Significant internal breach with no loss of sensitive data; or minor internal breach with loss of sensitive data
1	**Low**	Minimal level of harm to the health, safety and wellbeing of the community, members of the public or employees	Minimal disadvantage to the community and/or some vulnerable residents	Minimal negative impact on the County's economy, including hard infrastructure	Minimal regional and/or local environmental damage and/or failure to meet some internal climate change targets	Minimal external or internal disruption and/or loss of service (less than 24 hours)	Minimal under-performance from skills gaps and/or shortages	Minimal legal action, claims and/or penalties against or by the Council	Minimal impact on service delivery from a contract and/or partnership failure	Minor external or internal breach with no loss of sensitive data
0	**None**	No impact	No impact	No impact	No impact	No impact	No impact	No impact	No impact	No impact

Reputation impact assessment

Extremely High	Lasting or permanent national/local brand damage resulting from adverse comments in national press and media. Members/Officers almost certainly forced to resign.
High	Temporary national/local brand damage lasting up to two years from coverage in national and/or regional press/media. Members/Officers potentially forced to resign.
Moderate	Temporary local brand damage lasting up to one year from extensive coverage in regional press/ media.
Low	Temporary local brand damage lasting up to a few weeks from minor adverse comments in regional press/social media.
Extremely Low	Negligible local brand damage from limited adverse comments with minimal press/social media.

Financial impact assessment

Each risk is assessed for the potential range of capital and/or revenue loss to the Council if the risk materialised.

Band 8	Loss over £20 million
Band 7	Loss between £10 million and £20 million
Band 6	Loss between £5 million and £10 million
Band 5	Loss between £3 million and £5 million
Band 4	Loss between £1 million and £3 million

Band 3	Loss between £100,000 and £1 million
Band 2	Loss between £50,000 and £100,000
Band 1	Loss under £50,000
Band 0	No financial loss

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 10

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